1: Longrigg G-4,5 (ca.1915-1940) MHI Iraq MHI

242 farmed it with improved techniques; and an 'Iraqi-Syrian group,
● 651 that of the 'Asfar concession', signed with Government in 1924 an
ambitious land-development and irrigation agreement, involving
the construction of the Habbaniya reservoir, a Faluja barrage, and
a dam on the Diyalā. Limited cotton-planting without notable
success was carried out in 1925 by an Asfar affiliate, Diyala Cotton
Plantations; but the terms of the main concession were soon afterwards
called in question by popular outcry, its semi-monopolist
nature was revealed, and the whole enterprise was perforce reconsidered.

242 Meanwhile, a Government anti-locust organization, on the scale
which this ruinous pest demanded and using every known method,
came into being in northern 'Iraq while Government participated
in interstatal plans jointly established in Damascus. The deplorable
harvest of 1924, the result of excessive cold and rainlessness,
654 was a reminder of the precariousness of agriculture. The small
Veterinary Department under Chadwick, besides its work with
231 Army and Police horses and its civil animal hospitals, did what it
could to control the endemic and epidemic diseases of the 'Iraqi
flocks and herds, especially rinderpest which caused great annual
losses.

653 Roads, mechanical installations, and buildings were the responsibility
of the Public Works Department, of which the Directorship
494 was passed by J. M. Wilson, in that office since 1920, to A. S. Clay
in 1925. Roads were still at this period unsurfaced and deep in
mud or dust, but constant care kept them somehow open. The
mileage of road and track available for wheeled transport increased
threefold, and hundreds of passenger and freight-carrying cars
plied on every route. The care of these, with their accompanying
repair shops, supplies, and dealers formed a new branch as much
491 of industry as of travel. A trans-desert motor route, passing by
Ramadi and Ruṭba to Damascus and the Levant, was inaugurated
in 1923 by two New Zealanders, the Nairn brothers, whose headquarters
was at Damascus. It had immediate effect on 'Iraq's
foreign orientation. The service in 1926 absorbed its first (Syrian)
competitor, which, using a track by Hit and Palmyra, had been the
victim in 1925 of a savage attack by Dulaym tribesmen. The
Ruṭba–Damascus section of the Nairn route became unusable in
the summer of 1925 by reason of the Druse rebellion, and for a year
thereafter convoys were diverted to 'Amman and Haifa through
205 the forbidding lava country of Transjordan. The carriage of mails
by the desert motor route became usual, until air-mail services
superseded it. Postal arrangements within 'Iraq, now under 'Iraqi
administration with British expert advice, grew more comprehensive
and included all normal post office services. Telegraphs were

1: Longrigg G-4, 5 (ca. 1915-1940) MHI Iraq MHI

652 Acting Adviser, and thereafter by E. G. Hogg, from the Sudan, in 1931. Hedgcock and the present writer left the Ministry in 1930 and 1931. Provision for Capital Works under a five-year plan was separated from the current budget, and a main part of the oil revenues, which first accrued in 1932, was allotted to this object. An Economic Advisory Board was set up. Chambers of Commerce were founded in Baghdad and Basra. A second advisory visit by Hilton Young, the 'Iraqis' financial consultant of 1925, was paid in 1930, and other foreign experts—notably A. Sainsbury, expert in [651] income tax—assisted in the institution of new taxation and the fixing of civil service establishments. Income tax in modern form was first imposed in 1928, but proved relatively unproductive; in effect it was paid mainly by officials and foreign companies. A major change in the taxation of agricultural produce was made in 1931, based on a new system of tax collection at markets—the 'place of consumption' method—without the need to assess or measure the growing crops. A financial Inspectorate was introduced. Efforts both resolute and skilful were made in 1927 to free 'Iraq from the burden of its share of the Ottoman Debt, of which £ (Turkish) 7 million had fallen to its share, with a further £T2,500,000 of accumulated interest. The Minister of Finance arranged to buy Ottoman Debt securities in the open market and, after handing these to the Debt authority to an extent of £1,228,000 sterling, could arrange to pay off the small remainder by instalments. Thus, at the cost of finding funds from current revenue for debt extinction, the State could enter the League happily unencumbered.

652 436 The proposed foundation of a National Bank, often discussed, was still postponed. The Indian rupee currency, which had served 'Iraq well for fifteen years, was superseded early in 1932 by an 'Iraqi currency employing the dinar (equivalent to a pound sterling), divided into a thousand fils. Currency resources and the note issue were supervised by a Board in London, and rested on a basis of sterling assets. The confident reception of the new currency was the more gratifying as 'Iraq suffered not only temporarily from a number of 'slump' bankruptcies, but chronically from an adverse 457 439 trade balance. A wide visible gap existed between the value of its exports and that of its unavoidable imports of fuel, manufactured articles, and some foods. The invisible exports which were assumed to fill the gap were the expenditure by the British forces, diplomatic and archaeological missions, charities and foreign schools, pilgrims, tourists and foreign companies, and the profits of the Persian transit trade. The progressive slackening of the last mentioned, in spite of lowered transit dues, was a serious feature of the times. Persian restrictions, Russian competition, the diversion of

L: Longrigg G-4,5 (ca. 1915-1940) MHI Iraq MHI

382 1951 be anticipated that the continued presence and enlarged operations of the oil companies would remain an outstanding economic and social advantage to the 'Iraqi people: that, especially after the destruction of the great oil industry of Persia by the action of its Government, 'Iraq's position as a supplier of crude petroleum must give it an international importance greater than ever before: but also that the minds and emotions of local patriots, for whom the Persian tragedy had no terrors and no lesson, would not abandon the demand for a 'nationalization' which might or might not (according to its form and manner) permit the continuance of the industry. It was indeed clear that the presence in 'Iraq of successful, wealthy, and well-organized European enterprises with their foreign control, high living standards, and concession-granted privileges must, however correct their conduct and however enlightened their policy, be offensive to the nationalist sentiment of at least one school of local politicians; and the period during which oil development on these lines might be able to continue could not, for all its enormous advantages to the country, be confidently foreseen.

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Meanwhile, to the 'Iraqi Treasury its receipts from oil sources were no longer a mere helpful supplement to other revenues but a main pillar of the Government itself and the foundation of all its hopes of development and improvement. The anxiety of 'Iraqi statesmen to derive still greater revenues from the oil industry than those provided in the 1925 or 1931 concessions—4 shillings (gold) per ton—and their claim that 'gold' should be translated into sterling at unofficial open-market rates led from 1947 to 1951 to repeated discussions between Government and Company. The gold question of which the Company, at 'Iraq's request, agreed in 1949 to allow settlement by a British Court rather than by arbitration, remained still unsettled when the period closed, with indications that the Baghdad Government intended still to press its full claims.[1] The question of royalty revision resulted in 1950 in a partly retroactive and conditional agreement to raise the 4 shillings gold per ton to 6 shillings gold; but this increase, immediately helpful as it was to the 'Iraq Treasury, was in turn to be superseded by further and long-drawn negotiations based on a new principle of half-and-half division of the profits: a principle which, first announced by the Arabian-American Company in Sau'di Arabia on the last day of 1950, could not but abruptly supersede all less favourable terms enjoyed by neighbouring countries. Conversations on this basis were in progress in Baghdad between Company

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[1] These might amount to some £20 million sterling. Agreement upon a compromise figure (£5 million) was reached by the negotiators in 1951, but did not form part of the settlement ratified by Parliament early in 1952.

1z Longrigg G-4, 5 (ca, 1915-1968) MHI Iraq MHI

and Government throughout the first half of 1951 and were to 651
embrace the production obligations of all the companies operating 648
in 'Iraq and the royalties or taxes expected from them.[1] Under the 471
influence of the 'nationalization' movement—but in more moderate form than the brutal self-mutilation of Persia—the 'Iraq Government decided in 1951 to nationalize the refining and distribution of its oil in so far as this was consumed in 'Iraq itself: the operation, that is, of the Khaniqin and Rafidain Oil Companies. Negotiations with these and with Anglo-Iranian, their parent, led to agreement on the basis that the Companies were to transfer their plant and assets to the State at a valuation, and to remain for ten years as operating agents on its behalf.

The Port of Basra in the period 1946–50 maintained and sub- 504
stantially improved its services—wharves and sheds, cranes and machinery—and, in spite of the increased cost of labour and supplies, could show a profit on each year's operations. It continued annually to pay off its capital debt, completing that process in 1951. It maintained and largely increased its electric-power and water supplies to Basra city. The airport, with its wireless service and its enlarged hotel, remained Port property. The dredging-depot at Fao was extended, an all-weather road constructed to link it by land to Basra. A shore depot was built at Harmaq, opposite Abadan. The traffic using Ma'qil wharves decreased abruptly from the level of the previous five war years, but the tanker traffic of the Anglo-Iranian increased, until the spring of 1951, more than sufficiently to compensate for this. The development of a subsidiary port at Umm Qasr, on the Khur 'Abdullah, was a

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[1] The new Oil Agreement, based on acceptance in August 1951 of the principle of equal division of profits between Government and Company, was ratified by Parliament in February 1952, and made retroactive to 1 January 1951. With the probable initial through-put (in a full year) of the 30-inch line (some 12 to 13 million tons a year) additional to the existing through-put (nearly 8 million) of the 12-inch and 16-inch lines to Tripoli, 'Iraq's revenues from this source were expected—on existing cost and price bases—to surpass £30 million in 1952 and to reach £60 million in 1955. Minimum production was agreed at 22 million tons a year (for I.P.C. and M.P.C. combined) from 1954 onwards, and 8 million from B.P.C. from the end of 1955. Government was assured that its receipts would be not less than a quarter of the seaboard value of I.P.C. and M.P.C. crude oil, and a third of that of B.P.C. Fluctuation of costs and of world oil prices was to be taken into account in ascertaining the divisible 'profits', and Government might, if it wished, take in kind 12½ per cent. of the crude produced, and either dispose of it or sell it back to the Companies. A large part of the balance of Government's revenue was to be received in the form of income tax. Minimum receipts to Government, guaranteed subject only to *force majeure*, were to be £20 million sterling in 1953 and 1954, and £25 million in 1955 and thereafter; in the event of a physically unavoidable failure in production a smaller minimum would be payable for two years. The Agreement covered in addition the doubling of 'Iraqi representation on the Boards of the Companies, restrictions on the appointment of non-'Iraqis to positions in the Companies, an increase (up to fifty per year) of 'Iraqis maintained in British universities for higher studies, and the extension of technical education organized by the Company in Kirkuk fields.

ß. 6. time, than if attempts have to be made to carry out development in a
1 ¶ 2 scattered and incomplete manner throughout the whole country at once.

4. LAND REVENUE REFORM

§ 51 4. It was my original intention to devote one part of this report entirely to a study of land revenue questions. For although it seemed to require a matter for independent consideration, the effect upon all branches of land of the burden of any land revenue demand (whether in cash or kind) and the methods by which it is imposed, is profound. But since I left ['Iraq] a drastic change in the land revenue system has been enacted.* It will clearly not be helpful to comment on land revenue methods that have been superseded. And I understand that the new laws are of a specifically provisional nature and that their imperfections are realised, so that it seems of equally little use to comment on them. But although no useful purpose seems likely to be served by the discussion of the displaced land revenue system here, the three accompanying

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* [illegible]

TABLE III. ANNUAL COLLECTIONS OF LAND REVENUE, [illegible]

In lakhs of rupees

Year	[illegible] Crops	[illegible] Crops	Dates	[illegible]	Other fruits	[illegible]	[illegible]	Totals
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Averages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TABLE IV. DISTRIBUTION OF AVERAGE LAND REVENUE, [illegible]

Under forms of assessment permitted by Law [illegible] of [illegible]

Crops	Average receipts [illegible]		Percentage distribution under various forms of assessment permitted										
	In lakhs of rupees	Per cent of total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Summer crops	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	[illegible]	[illegible]	[illegible]
Winter crops	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	—	—	[illegible]	[illegible]	[illegible]
Dates	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	—	—	—	—	—	—
Vegetables	[illegible]	[illegible]	[illegible]	—	—	—	—	[illegible]	—	[illegible]	—	—
Other fruits	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	—	[illegible]	—	—	—	[illegible]
Tobacco	[illegible]	[illegible]	—	—	—	—	—	—	[illegible]	—	—	—
Miscellaneous	[illegible]	[illegible]	—	—	—	—	—	—	[illegible]	—	—	—
Totals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

This table is intended to illustrate the operation of Law [illegible], applied during an average year under conditions existing in [illegible]. [illegible]

[illegible]

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	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

IL.6 123 [illegible] one lot, and the one lot to the [illegible], or even the [illegible] holding. The movement has naturally been accompanied by a weakening of tribal cohesion and tribal authority, as the machinery of the provincial administration of Government has penetrated into the less accessible regions and as increasing numbers of the population have been brought individually in touch with local provincial officers over their daily affairs.

IL.6 423 651 619 The development of direct dealings by the local provincial officer (mudir) with small landholders and cultivators in his sub-district (nahiya) over land and land revenue questions has naturally tended, wherever it has been in operation, to transfer the effective control of miri land increasingly from tribal influence to such officers. In many liwas I was afforded evidence of the members of smaller units paying their land revenue directly to provincial officials and occupying the position of smallholders, either as heads ([illegible]) of minor tribal or other farming groups, or even on a more individual footing. And everywhere I was advised tribal disintegration was accelerating, everywhere the tribesman was becoming an individualist and wanting his individual holding. The movement is not, of course, new. Under Turkish administration it was doubtless prevalent wherever the authority of Government was effective; but its range was necessarily more circumscribed and the impelling forces much less. Nor can it be counted upon to continue. If the provincial administration deteriorated again some reversion to, and strengthening of, tribal influence would be natural.

424.5 619 4. In the numerous discussions that have taken place during recent years regarding the legal recognition of customary prescriptive claims to miri land, more particularly in connection with the [illegible] of people, the term lazma seems to be generally applied to these claims. So far as I have been able to ascertain, the term lazma was applied in Turkish times, among other words, to the customary prescriptive claim of the tribe to land already mentioned. It was represented to me that this might be more correctly and explicitly defined as a right of occupation and cultivation ([illegible]). Within the area concerned the tribal or sub-tribal sheikh would allot the land to [illegible] members of the tribe according to tribal custom, and to be held subject thereto. There was no personal lazma right. Allotments to individual tribesmen could be, and frequently were, changed by the sheikh.

423.5 Since the war the conception of a tribal or sub-tribal lazma seems to have weakened and that of a corresponding prescriptive claim of an individual or smaller group to have been to some extent substituted. The appropriateness of the term in the latter sense is disputed; but regarded as a label for any prescriptive claim to occupy and hold miri land, it seems to have held the field and to have been commonly understood and accepted.

423.3 423.7 According to prevailing theory all holders of miri land are tenants at will of the State. The land is supposed to be leased by an annual [illegible] agreement ([illegible]). In practice, although such agreements may, and do, exist, they are far from being an indispensable, or even an ordinary feature of the occupation and use of miri land, even in districts most completely under central Government control. And it is not pretended that any annual review is made, with renewal or cancellation even of such agreements as do exist, still less that any systematic record and control of the innumerable [illegible] landholders of miri land throughout the country is maintained. Indeed the mere administration of any such annual leasing of the numerous, scattered and widely [illegible] parcels of miri land is beyond the ability of any central

1/23/85 already occurs in more intensive holdings (e.g. gardens) and in house property.

5. When considering the position in the riverain tracts, in my provisional report I suggested (II, 14) that the simplest and the most appropriate means of regularising the holding of miri land was by standard leasehold agreements in accordance with prevailing theory and partially prevailing practice. It never appears to be contested, even by the most firmly entrenched holders of miri land, that the ownership of such land belongs to the State. Nor is it contended that this ownership is titular. But while the effective ownership of the State is recognised, it is claimed that this ownership does not carry the right to evict at will well-established holders from their holdings of miri land. Subject to good behaviour, to maintaining cultivation, to payment to Government of its revenue contribution, and to the satisfactory discharge of certain public duties, such holders of miri land claim a right of undisturbed possession, which in principle is universally admitted.

There will probably be no difficulty in formulating the main rights and obligations of miri holders in standard terms, if and when Government [illegible] main framework of this tenure considerable elasticity would have to be allowed for supplementary or even exceptional provisions required to meet variation of local circumstances, of local customs and of agricultural needs. The rain-watered plains of the north, the valley cultivation of the hills, the pump-fed riverain tracts, the rice-growing fringes of the marshes, the areas supplied with regular free flow irrigation, are instances of such variations which will occur to all.

[651] At first sight the contingent obligations now customarily imposed on miri holders in the form of public duties appear to be impracticably onerous. But the obligation that needs definition most of all is the nature, the method of assessment and the method of payment of the revenue contribution, which represents the miri holder's amalgamated rent and tax to the nation, for the land he holds. General public duties should not fall on miri holders as such. They would more reasonably be discharged by some unpaid local dignitary, who could be accorded appropriate privileges.

In pursuance of the need to establish greater security of tenure and in conformity with customary doctrine, miri leaseholds held by long-established miri holders or their descendants, should normally be renewable in practice, although terminable in form. The duration of miri leaseholds might as a matter of regular routine be fixed at ten years. While such leaseholds should ordinarily be renewable to previous holders, if they had previously discharged their obligations satisfactorily, yet renewal should require a formal act on both sides. This would keep the nature of the tenure in the public mind, and the existing records up to date and reliable. Standard fees should be charged for all issues and renewals of miri leaseholds. These fees should in principle be limited to covering the aggregate cost of the simple administrative and technical procedure needed to maintain the necessary records satisfactorily.

6. THE LAND RESERVE

4/23 6. As already noted the Land Code only recognises the private holding of land in two ways. Such a holding must either be private [625] property (mulk) or it must be State property* held in tapu tenure. And the acquisition of all private holdings in either of these categories must be registered to be valid.

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* This is here including all [illegible] land not owned as such.

[illegible] This [illegible] could be [illegible] at relatively slight additional expense [illegible] a minor expansion of staff of all grades and of equipment could be authorised, if local cadre could be [illegible] safeguarded, and if an uninterrupted programme of work could be established. This would make a regular and equitable valuation of the land for purposes of land revenue practicable within a reasonable period (see ch. 8).

But I see no prospect of any general programme of more detailed or larger scale survey being realisable, nor would it be recommended at present.

[illegible] It has already been stressed that the execution of a methodical and trustworthy land survey of the country is a requisite condition of all effective land reform. It is a requisite condition not only of the establishment of a stable and secure land tenure and of an equitable assessment of land revenue, but also of any efficient system of irrigation and indeed of any reliable and systematic knowledge, development and use of the territorial resources of the country. It was, for example, to provide essential information for the Irrigation Department that the Survey has concentrated on work in the Irrigation Zone hitherto. It is, therefore, imperative that while [illegible] closer and more [illegible] attention to the [illegible] of land tenure or land revenue, the survey should not fail in meeting these other primary needs.

Unquestionably a detailed cadastral survey, which reliably locates the limits of all individual holdings, is required to place land tenure and land revenue on to a thoroughly satisfactory basis. Only on the basis of such a survey can the unqualified stability and security of tenure be attained which is required to stimulate the development and productive capacity of the country fully. But the change from prevalent confusion now characteristic of land tenure to detailed order, is too great to be effected at a single step. The requisite detailed cadastral survey would be a lengthy and onerous undertaking for a much richer, better prepared and better equipped country. It should not be attempted in al 'Iraq at present.

[2-3] Doubtless in the vicinity of the larger towns and in other places, in which the higher value of land brings in commensurate receipts in higher fees or in increased rentals or other revenues to Government, true large scale cadastral surveys may be justified exceptionally. And the ultimate extension of a proper cadastral survey elsewhere, as development proceeds and land values increase, should always be kept in view.

But the hopes of establishing orderly record, secure tenure, and fair and dependable taxation of land throughout the overwhelming mass of the cultivated territories of the country within the next ten or fifteen years, must be based on a foundation of simpler and less detailed survey. To be precise, the measures of attainable land reform within any period worth envisaging at present should be such as are applicable, and can be maintained, in conjunction with a 1:10,000 topographical survey of the cultivated terrain of broadly the same character and accuracy as is now being produced. The work should be converted into (what has been aptly termed elsewhere) a topo-cadastral survey, without markedly increasing the complexity and closeness of the detail. The parcels or sub-divisions of the land adopted as cadastral units for purposes of survey, record and land assessment, must be of considerable size and bounded (at least ordinarily and preponderantly) by easily recognisable physical features. The placing, and still more the subsequent maintenance and control by Government, of a host of artificial boundary beacons outlining individual holdings must be dismissed as entirely impracticable. It will be as much as the country can do to establish and

175 pushed forward in conjunction with settlement operations without delaying the latter. Broadly speaking this means that settlement can be carried out as extensively as men and resources permit in the Irrigation Zone, but must be limited in the Rainfall Zone to the immediate vicinity of Mosul town (see Plates III and IV).

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185 In this neighbourhood the land is widely held, or claimed, in tapu tenure (see Plate II) and special efforts have been made by the Tapu Department during recent years to clear up uncertainties and define the parcels justly affected. It was primarily on this account that a considerable block of isolated detailed survey has been completed here. Settlement of this block of territory therefore appears preponderantly to involve an investigation and definition of the parcels held in tapu tenure and, so far as such parcels are concerned, to have been in progress for some time. But rights to tapu tenure should be systematically reviewed and if possible rights to such land concurrently settled, throughout the area by an independent Settlement Officer in collaboration with the Survey at an early date.

In the Irrigation Zone a considerable amount of detailed survey has been completed in every liwa and there is a wide range of territory in various stages of readiness for systematic settlement.

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651 In Amara, as is well known, the political and administrative conditions have been retained on an almost exclusively tribal basis, the miri lands (of which the liwa is almost exclusively composed) being farmed out to various tribal shaikhs for triennially assessed payments. It is impossible to discuss the details of these methods here; nor is there any need, since the agrarian conditions of no liwa have been investigated and reported on so regularly or so fully, owing to these periodic assessments. Each successive assessment has built on that which preceded it, but has been carried out in greater detail with increasing attention to the smaller men who hold from the leading shaikhs and really manage and work the land. If public security and genuine national consciousness continue to grow these periodic assessments should crystallize steadily into an effective settlement of rights to land. But the conditions under which the work had to be done in the past were extremely difficult, and if this end is to be obtained (and even if the revenue assessments are to be as equitable and reliable as is now manageable and practicable) the work must be more closely based upon trustworthy detailed survey and rights be investigated more thoroughly than has so far been possible. A reassessment of the Amara estates (muqata'at) was due, and has doubtless been undertaken, this year. And under the agreements in force with the leading shaikhs the prevailing system terminates and is open to review in 1934. The consideration of fuller and more permanent settlement of rights in this district can therefore properly be left over until this termination approaches, or a further reassessment is arranged.

In the Basra liwa, as already observed, an excellent local survey of the date gardens was carried out several years ago. And the principle of a regular Land Tax has long been familiar through the operation of Midhat Pasha's enlightened *tarh* tax.* The tenure of these gardens (mulk or miri) appears to be rarely, if at all, disputed. For the most part the mulk owners are well known, or could readily be determined.
176 Consequently a relatively minor effort would enable titles to be authoritatively reviewed and, when necessary, settled throughout the Basra result on the basis of the existing survey. The respective responsibilities of garden owners and the State for the maintenance of the tidal
[212] creeks off the Shatt al Arab, from which the gardens are largely watered,

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* A [illegible] of the Government['s] [illegible] share on date gardens into a tax [illegible] quality and [illegible] was [illegible] in 1921. [illegible]

185 many pressing problems. I therefore suggest that two settlement areas should be constituted in these tracts, preferably one situated on the Tigris and the other on the Euphrates. From these as starting points, settlement of these tracts could progressively be extended up and down the two rivers until they had been completed.

The above is no doubt an extremely modest programme; but it is better to begin modestly than to continue to postpone these greatly needed land reforms indefinitely. After six months practical experience in the field, and of the cost and speed of the work in three different settlement areas, there would be solid grounds on which to base plans for an extension of operations.

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442 It will not have escaped attention that the completion of the work already partly done in the Mosul and Basra liwas is not included in this initial programme. This is not because such exclusion can be contentedly acquiesced in, even temporarily, but because it appears to me that a cessation of the appeasement that has been started in the Muntafiq, or still further delay in placing pump cultivation along the river reaches on to a healthy basis, would be even more deplorable.

9. LAND VALUATION

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185 9. For reasons given earlier (ii, 4) it has not appeared useful to comment either on the recently superseded land revenue methods or on the two new laws. But the old and the new appear mutually to envisage the eventual establishment of a regular land tax or Government rental, if this term is preferable. By this I mean the valuation of the land by appropriate means and the assessment and imposition of an annual payment based thereon. Thus, in the explanation issued with the displaced land tax assessment law,* the Land Revenue policy of Government was described as "the imposition of a fixed assessment in cash per unit of area of land," while the universal application of this method ultimately was foreshadowed. And Article 6 of the law required that the process of assessment should include survey, the classification of the land into grades according to the quantity and value of the produce, and the resulting assessment per unit of area of each grade.

And I understand Article 6 of the second of the new laws to provide for the early completion of the survey and valuation of all cultivated rain land and all irrigated tapu land with a view to the assessment and imposition of an annual rental thereon.

The ultimate objective in this important sphere of reform therefore appears essentially to be unchanged, and it is an objective which, in my opinion, alone offers any prospect of escape from the inequalities, irregularities, uncertainties and hardships inseparable from the wisest and most carefully considered combinations of stop-gap methods lacking a uniform and systematic basis. For pending a methodical valuation of the land there are bound to be seriously unsatisfactory features in any land revenue expedients adopted.

185 The section of the nahiya (qism of nahiya) suggested earlier as the land unit of immediate tapu-cadastral survey and record (v, 7, and vi, 8) should also constitute a suitable land unit for revenue purposes, if carefully selected with this further object also in view. No doubt the quality of the land within the limits of such sections will not be strictly uniform, and may frequently include salty or other uncultivable patches on the one hand, and possibly gardens or other exceptionally fertile pieces on the other. When the conditions really justify it, areas differing markedly from the general quality of the land within the section can be excluded or specially treated; but so far as practicable an average valuation of the section should be aimed at, taking the good with the

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* "Law prescribing the methods of assessment of land tax and rent due to Government." No. [illegible] of [illegible].

Although public funds will benefit directly by methodical and equitable assessment and imposition of land revenue, and indirectly by the steady increase in prosperity which should follow if settlement is accompanied by complementary developments in irrigation and agricultural conditions, yet these financial returns will not be immediate. 185 651 The immediate problem of finding the funds needed to initiate settlement would be lightened or removed, if the cost could be promptly recovered from the individuals whose rights to land are thereby recognised and secured. Now settlement is essentially the clearing up of disputes and uncertainties inherited from an indefinite past. It has been accumulated in al 'Iraq by the failure of past governments to keep their records of mulk, tapu and miri land property. It is now required in the interests of the nation as a whole, and the national budget will benefit generously by it in the future if it is accompanied by appropriate complementary measures. While therefore it is proper that individuals and corporate bodies should pay fees for the recognition of their rights in mulk, in tapu and in waqf (just as they would legally have been required to do if the existing Land Registers had been functioning properly hitherto and registration of all changes had been required, as they occurred): it is not equitable that they should repeat any payments they themselves have already made to the existing Land Registry or pay on a higher scale than may be needed to maintain the General Land Register in the future. It will, of course, be understood that the fees referred to here are genuine registration fees only, not acquisition payments on obtaining land in tapu tenure initially.

The settlement and record of rights to hold and use miri land 185 stands on a different footing. It would not intrinsically be in any way inequitable to charge a suitable fee upon recognition and record of these rights also: but it would, I think, be inexpedient and inadvisable to do so upon initial settlement. If settlement is to be carried out with the utmost practicable speed and economy it is essential that everything possible should be done to encourage and ensure the presentation of all claims promptly at the appropriate moment. The degree of smooth and punctual co-operation secured between the great mass of claimants and the Settlement parties will primarily determine the speed and success of the work, while these in turn will primarily govern its cost. The bulk of mulk and tapu claimants and of custodians of waqf interests may reasonably be relied upon to appreciate the advantage of assisting the settlement and of consolidating their recognised rights by due and proper record: but the bulk of holders and users of miri land may be expected to be illiterate and very possibly suspicious of ulterior designs on the part of Government. Nothing will facilitate, accelerate and therefore cheapen, settlement so much as waiving all fees on the initial settlement of miri land. The poverty of the majority of such land is too great to admit of any really adequate scale of fees being imposed. And it may be predicted with some confidence that the saving in the cost of the work occasioned by foregoing such fees will more than compensate for any effective revenue lost thereby.

4. General Co-operation

4. In previous sections attention has been primarily devoted to the objectives, methods and procedure of the various agents directly concerned in one way or another with the conduct of reform. But a really national effort will be required if success is to be achieved. The necessity of winning the confidence and securing the prompt and willing co-operation of the great mass of landholders and cultivators has probably been sufficiently stressed already. The necessity of ensuring the continuous and effective co-operation of all branches of the public service,

solely to the productive regeneration of the estate, should soon prove a 185
profitable investment. If the accompanying returns of Budgetary Revenue and Expenditure during the nine years 1921-29 are referred to, it 652
will be seen how small a sum, both absolutely and relatively, the Government has been able so far to allot to land development services. And 651

TABLE VII. TOTAL BUDGETARY EXPENDITURE, 1921-1929

Nature of Service	Expenditure in lakhs of rupees	Percentage of total expenditure
General National Charges*	333·5	6·9
Finance	619·4	13·1
Interior	1,090·2	22·7
Health	221·9	4·7
Defence	990·1	20·9
Justice	120·3	2·6
Education	233·2	5·0
Communications and works	680·6	14·3
Lands Services†	464·0	9·6
Total	4,850·2	100·0

*Civil List of H.M. the King, Parliament, Council of Ministers, Comptroller and Auditor-General, Ministry of Foreign Affairs, Public Debt and Pensions, Antiquities and Census Departments.

†Departments of Irrigation, Agriculture, Veterinary Service, Land Survey, Tapu, State Domains and Ministerial Services of the Ministry of Irrigation and Agriculture during its existence.

necessarily only a modicum of that sum could be utilised for capital improvements. If expenditure on capital development continues to be limited to what can be spared from current resources, it is to be feared that the economic revival of the country must be indefinitely retarded.

TABLE VIII. TOTAL BUDGETARY REVENUE, 1921-1929

Nature of Revenue	Revenue in lakhs of rupees	Percentage of total revenue
Direct Revenues from land*	1,610·3	32·7
Customs and Excise	2,249·4	45·4
Post and Telegraph Receipts	297·1	6·0
Other revenues	736·7	15·1
Total	4,893·5	100·0

*Land revenue, animal tax, receipts of land services, taxes, rents of Government property, etc.

2. Three Spheres of Reform

7. In the northern Rainfall Zone the effects of past neglect are less 185
obvious and the problem of agricultural development less intricate owing to this area being predominantly independent of irrigation: but otherwise there is just as great a need for a steady programme of agrarian reform here as in the South.

The three great obstacles to the agricultural development, and, therefore, to the economic advance of el 'Iraq may be summarised as:

in the south (a) the absence of an adequate irrigation system, and throughout the country

(b) the rude methods of cultivation and stock-keeping practised, and

(c) the chaotic state of land tenure.

000 E 651 absence of all data on which such an estimate could be dependably based. But the lessons of the Egyptian experience in the conduct of its parallel revenue settlement should not be overlooked. The Egyptian revenue settlement was initiated by Decree dated February 9th, 1879. It was not completed until 1906. The statistics of the progress achieved during these twenty-seven years are instructive. In the first nine the work was an entire failure because it was attempted without a proper basis of land survey. During the following four years it was abandoned in despair. In the next seven years a quarter of the country was done with the aid of an indifferent sectional survey. In 1896 a unified and effective national Survey was at length recognised as indispensable. In the succeeding eight years the remaining three-quarters of the country was finished, and the quality of the work improved even more than the speed, as sound technical methods were introduced and enabled improvements in the general procedure of the settlement to be adopted. It will thus be seen that owing to the initial failure to appreciate the fundamental necessity of a scientifically sound and appropriate cadastral survey, the revenue settlement of Egypt occupied twenty-seven years whereas its final progress shows that it could have been completed in ten.* It will be remembered that the Turkish legislators had also recognised before the war the necessity of a foundation of reliable cadastral survey for land tenure throughout the Ottoman Empire (iii, 8).

E 651 471 I ● 651 471 Now while the land surface to be dealt with in el 'Iraq is much greater than in Egypt the individual parcels requiring investigation and settlement will be many fewer although no doubt appreciably larger in extent on the average. Thus three and one third million individual holdings were recorded during the revenue settlement of Egypt, a number which considerably exceeds the total population of el 'Iraq. On a comparable basis the number of individual holdings in the latter might be expected to be about 800,000. As the population is still so largely nomadic half a million is probably nearer the true figure. (See also ii, 4 and Table V).

000 Although the fuller benefit of a settlement of rights was not practicable in Egypt at the time, owing to various reasons, the procedure was similar: but unfortunately no deductions can be drawn therefrom as to the speed of settlement of rights in el 'Iraq, because all the conditions in Egypt were so different.

4. The Main Problem of Tenure

I 423 471 4. As we have already seen, the land surface of el 'Iraq is more literally than in most similar cases a vast national estate. The extent of land held in private ownership (mulk) is small, and although it is intrinsically important, its legal position is clear and its regulation presents few difficulties. Probably four-fifths of the cultivable area of the country is in law fully and freely owned by the State and when cultivated held in practice under the general administrative control of its representatives. And even the legal ownership (raqaba) of the balance is vested in the State although, subject to important conditions, its usufructuary possession is held on a permanent heritable and assignable tenure. This tenure (known commonly as tapu) is that applicable under the provisions of the Land Code to all State land. The Ottoman Administration persistently sought to give effect to these provisions, but failed to do so because the successful operation of this tenure is impossible without an accompaniment of effective survey and land registration,

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* See Paper 8. Egyptian Government Commission on Registration of Title to Land. 1917-21. Government Press, Cairo.

3: Clark S-5 (1950)1951 MHl Iraq MHl

may be danger in holding up consideration of radical educational 658 reforms until all the necessary financial provision is within sight. Those who wish for advance towards compulsory education but who are fearful of the consequent financial commitments could well be reminded that experience in some other countries has shown that, when the desire for educational advance really exists, the money necessary for its realization is likely to be forthcoming. Indeed, it is quite possible that in Iraq there exist monies which could be made available for educational purposes if means could be devised of extracting them into the public purse. This view may be the more valid when it is remembered that public education in Iraq is financed almost entirely from the central Government budget and that primary education, which is essentially a local service, makes little demand on local financial resources. More will be said later about the possibility of augmenting existing educational revenues from local sources.

Apart from the possibility of raising local revenue for educational purposes, before educational and other social services can be greatly extended, there will need to be larger contributions from the national budget. Some consideration must, therefore, be given to the wider question of the practicability of increasing the country's taxable wealth from which more money for public services may be derived. This inevitably leads to some discussion of two other important economic problems, the potential revenue capacity of the country and the related problem of land tenure.

The Potential Revenue Capacity of the Country. It is beyond the scope 651 of this particular study to attempt to assess the potential revenue capacity of Iraq. This is a matter for fiscal experts. Some of the more authoritative of these maintain that the task of considerably augmenting the budget so that additional monies could be devoted to educational and other social services is not insuperable. They feel that, although in the early years of the creation of Iraq as an independent State the Government might not have felt itself sufficiently strong to make too many taxation demands, it is now able to do so. They suggest that it is now possible both to tighten up existing fiscal arrangements and also to obtain more revenue by increased or new taxes. These financial experts hold the view that, despite minor fiscal reforms in recent years, the taxation system remains traditional and too rigid and that effective attempts have not been made to increase revenue by bringing taxation into line with higher prices and the changed economic conditions of the post-war period.

One fiscal change advocated by these would-be revenue reformers is that income tax, which is practically confined to

3; Clark S-5 (1950) 1951 MH1 Iraq MH1

651 Government officials whose incomes are known and to a minority of the merchants, should be extended to other forms of income, and that provision should also be made for an inheritance tax. There can be no doubt that, if income tax were extended to other forms of income, a wealthy section of the community who at present derive large incomes from land ownership and other sources would contribute much more than they do at present to the national revenue. Another suggestion put forward is that customs and excise duties should be adjusted to *ad valorem* rates to bring them more into accord with post-war prices. They also recommend that the consumption or sales tax, which is at present a fixed rate of 12.5 per cent on produce sold, should be replaced by a form of sliding scale tax related both to land values and to the use made of land. In advocating this important change the reformers maintain that this would produce more revenue, would prevent existing evasions and would also serve as an incentive to increased agricultural production.

It is not within the competence of the writer to comment on the validity or practicability of revenue reforms of this kind. It is clear, however, that there is a fertile field for intelligent enquiry into methods for producing that additional budget revenue without which educational and other advance will be slower than is desirable.

311 *The Problem of Land Tenure.* While it is possible that measures such as those indicated would produce valuable additions to the national revenue, the fact remains that the main source of Iraq's future wealth must be the proper exploitation of the land. Upon this depends that higher standard of life for the bulk of the population, and the concomitant increase of wealth for both private and public use, without which the country will never be able to enjoy that abundant life which the rich natural agricultural resources of Iraq make possible. Unfortunately the country's enormous agricultural potential is greatly hindered by the system of land tenure.

423 The land tenure system of Iraq is far too complicated a subject fully to be examined in this study, but the following extract from Sir Ernest Dowson's classic report on this problem gives some idea of its effects and ramifications:

> The injurious effect of the existing welter of uncertainty and dispute upon both the agricultural prosperity of the country and public order can hardly be exaggerated. Every one directly or indirectly concerned with agriculture in Iraq must know many individual cases in which the development and use of the land has been gravely obstructed by the widespread insecurity

If developments of this kind proceed it is likely that the 241
agricultural productivity of Iraq will increase considerably. 651
Although most of the profits will find their way into the pockets
of a few, more taxable wealth is likely to be produced which
could wisely be devoted to the development of educational and
other social services. Indeed, if means could be devised of applying
income tax to such profits, considerable additional revenues for
public services would accrue.

The Dujaila Project of Land Settlement. But perhaps the most 471
hopeful and significant economic and social development which
is taking place in Iraq is the Dujaila Project of Land Settlement. 166

Some years ago, as one of the first attempts at land reform, 653
the Government distributed parcels of land to small, independent
farmers. The Government provided the irrigation facilities and, 185
on the land which could consequently be brought under cultivation, 425
allowed families to settle. The scheme was not nearly so
successful as it should have been, partly because some of the tenants
lacked sufficient farming experience but mainly because it was
not accompanied by a scheme for providing agricultural advice.
Further, because of the failure to institute adequate drainage
arrangements, there is a danger that much of the land in the
settlement area will lose its fertility through otherwise avoidable
salinity.

In the Dujaila area, in the province of Kut, the Government are 166
now in process of organizing a much more satisfactory and intelligently 185
conceived scheme of land settlement. In 1945 a large tract
of hitherto uncultivated land, roughly seventy kilometres long and 425
about half that distance wide, was selected as an area for land
settlement. The scheme is being organized by a department 427
known as the Dujaila Directorate to which a reasonable delegation [647]
of powers has been given. Its main features may be summarized
as follows:

(1) Each settler, who must have had previous agricultural experience in or near the locality, is provided with a holding of about sixty acres. The settler has to sign a well-devised form of contract which binds him for a period of ten years to farm his holding in accordance with advice given by the agriculturalists and horticulturalists attached to the Directorate. At the end of ten years the holding is apparently vested in the holder in a form of limited freehold.

(2) Each settler is eligible to apply for an initial grant not exceeding £100 for the purchase of equipment, assistance towards the building of his house and farm buildings.

(3) Each settler must plant sufficient trees around his holding,

with some of those concerned that the question of rentals is to be 427
considered. Capital also will soon be needed for drainage works 185
and, here again, the tenants should be expected to make their
contribution.

With this possible drawback which may soon be set right, the 471
Dujaila Scheme of Land Settlement is important as a pointer 185
towards one means of altering the prevailing land tenure system. 423
As has been suggested earlier in this study, so long as this system remains unaltered it will never be possible to produce sufficient national wealth and to release that part of it which is necessary for the finance of projects such as the provision of compulsory education. Radically to reform the land tenure system at the present time would not be possible, because those who profit from it are a powerful influence in the country. Fortunately, however, there exist great tracts of uncultivated government land throughout the country which, when water is brought to them in a way similar to that in the Dujaila area, will be amenable to similar development.

Projects of this kind are being applied in five or six other 185
regions, although most of the others are not at the advanced stage 651 ●
of the Dujaila project. The scheme of land settlement is significant 511
in relation to the future development of education in that, if it 565
continues as present indications suggest, it is both providing more 166
taxable wealth for public services and is raising the standard of living of its participants who should thus be more ready to seek educational opportunities for their children. Equally important, it is producing men with a greater freedom and independence who are bound to be more articulate concerning social affairs and who will ultimately be able to play their part in democratic local government. One of the features of Iraqi political and social life which strikes a visitor to the country is that, apart from the official class who, incidentally are mainly men of urban background or urban education, there is little in the way of a middle class in the towns and nothing approaching a middle section of the community in the villages. It may well be that, by providing the participants with a better standard of life and consequently of self-esteem, land settlement schemes of this kind will have the effect of promoting a rural middle class who will not only bridge the existing wide gap between the very rich and the very poor but will demand their share in local affairs and thus help to promote a more vigorous local government.

Great credit must go to the Government for fostering such a 000
bold social experiment, to the Director of the Dujaila Project for his obviously selfless devotion to the work, and to the Provincial Director of Education for attempting to plan a schools system in

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the administration and collection of revenue, which, in the eyes 652
of the tribes, was regarded as a sign of government authority, 175*
similarly as revenue payment was considered an outward sign 727*
of their submission. Much of the confidence engendered by the Political Officers in Basra Wilayet had been the result of their revenue activities,[1] which included far more than the collection of taxes following the enforced assumption by the Revenue Board of a far wider range of responsibilities than merely financial duties. In addition, the extension of land-revenue collections in kind from the fertile areas of the middle Euphrates would produce local foodstuffs for the army and thereby release much precious tonnage. Hence, after the fall of Baghdad, Sir Percy Cox's chief efforts were directed, not only to the establishment of friendly relations with leading dignitaries, but also, through the First Revenue Officer, to the collection of information as to the customary rates of demand; the sorting of a mass of papers; the foundation of a Revenue system capable of extension; the inceptions of departments such as *Auqāf*, Education, etc., and the actual collection of revenue in Baghdad and surrounding districts.[2] The complexities and inconsistencies of the Turkish Revenue system, to which reference has already been made, proved, as in Basra Wilayet, one of the greatest obstacles in the way of a rapid establishment in Baghdad Wilayet of a system based on its principles.

The Turkish Revenue System

Under the Turks, general revenues in each wilayet had been 651
collected under the authority of the *Daftardar* (Provincial 175*
Director of Finance), either directly or through departments. Among the taxes collected directly were land revenue in its various aspects, *koda* (animal head-tax), *tamettü* (income or

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[1] 'I have been long convinced that Revenue work is the most important part of their duties.' Deputy Civil Commissioner in *Admin. Report, Basrah*, 1917, p. 8.

[2] *Administration Report, Revenue Board, Baghdad, March 22 to December* 31, 1917 (Baghdad, 1918), p. 1 (hereafter *Revenue Report*, 1917).

651 professional tax), conscription exemption-tax and several minor 175 taxes. Tax-collecting Departments controlled by the *Daftardar* included the *Dairāt al Limān* (Marine Department) and the *Nufūs* or Statistical Department. Twelve other heads of revenue, together with one-quarter of three per cent of the customs receipts which had been assigned to the Ottoman Public Debt Administration, by the decree of Muharram, December 20th, 1881, following the default of the Ottoman Government on its European-held debts, were collected by a special Civil Service.[1]

A few other revenues, provincial in character,[2] were accredited to the *Muhāsiba al Khusūsīya* (Special Accounts Department) created by the Young Turks as a sop to the outcry that the Central Government drained the Arab provinces of all funds. Customs were also in charge of a special staff.

In any account of land revenue, the most important of the 651 general revenues, it must be clearly recognized that the Otto- 175 man Government made a distinction between its right over land as Sovereign and its right as actual possessor or owner of the soil as well as between the dues exacted in accordance with each right.

In 'Iraq, the Ottoman Government, by right of conquest, deemed itself in theory both Sovereign and sole owner of all land save in so far as it had divested itself of its rights of ownership by a specific act of alienation to individual owners. Lands so alienated absolutely, under the Land Code or *Qanūn Arādhī* of 7 Ramadhan, 1274 (1858)[3] were known as *Sirf Mulk*.[4] Those

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[1] For the decree, and full list of the assigned revenues, Young, Sir George, *Droit Ottoman*, Vol. v, pp. 69 ff.

[2] The 'public works' and 'education' cesses on land revenue; 5 per cent cess on *bedel*; 10 per cent cess on income tax; half the proceeds of the slaughterhouse fees; rents and profits of education trust property.

[3] Text: Ongley, F., *Ottoman Land Code* (1892), Bk. I, pp. 1 ff; Young, Sir G., op. cit., Vol. vi, pp. 45 ff; Fisher, Stanley, *Ottoman Land Laws* (1919). Under the Code five legal categories of land were recognized:

1. *Arādhī Mamlūka*, land held in undiluted ownership.
2. *Arādhī Amīrīya*, state land, the usufructuary possession of which is granted on a registered tenure.

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alienated conditionally by *ṭāpū sanads* were known as *Arāḍhī Amīrīya* under the Code but were more commonly called *ṭāpū* lands in 'Iraq. Such alienated lands formed but a small proportion of the arable of 'Iraq. Most of it, although great sections had been in the actual possession and cultivation of the tribes for years, had never been granted on *sanads*, and was, therefore, *Arāḍhī Amīrīya* or *mīrī* land in 'Iraq.[1] Other large sections had found their way to the personal possession of the Sultan or Ottoman royal family, and thence to *Arāḍhī Mudawwara*.[2]

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In the case of the unalienated state lands, the Government was entitled to exact from the user both rent as landlord or owner, and revenue as accruing to it as Sovereign. The distinctions between these exactions had tended to become obscure since the two were usually paid as a single contribution.

In the case of *mulk* or *ṭāpū* land, the Government demanded revenue only since it possessed merely dominion. The possessors of the titles to such lands had the right to demand the landlord's share, normally the same as the revenue share, which was, on the principle of the 'Ashar, the tenth part of the fruits of the earth. On lands watered by flow irrigation, an additional tenth part of the crops was demanded as representing the fruits of the water.

Numerous graduations and variation of these shares had

[1] 'The tenure of some four-fifths of the cultivated land in the country was not governed by law, was not amenable to the jurisdiction of the Courts, and was not regulated in any methodical way at all.' Dowson, Sir E. M., *An Enquiry into Land Tenure and Related Questions* (Letchworth, 1932), p. 5.

[2] *Arāḍhī Saniyya* or Crown Lands until 1909, when the Young Turks transferred them to general revenues.

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3. *Arāḍhī Mauqūfa*, land dedicated to pious purposes.
4. *Arāḍhī Matrūka*, land especially reserved for some public purpose.
5. *Arāḍhī Mawat*, waste land.

These classifications had never been applied as a whole to 'Iraq. Terms were also misapplied. Thus *Arāḍhī Amīrīya* is known as *ṭāpū* land in 'Iraq, while land held in legal possession of the state is called *mīrī*. Category 4 seems not to have been generally recognised in 'Iraq.

[2] See Howell, Sir E., *J. C. Asian Soc.*, Vol. IX (1922), pp. 20 ff. for an authoritative article: *The Qanun al-Arādhi*.

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grown up, however, in recognition of the general principle that
651 land taxation and rent were proportional to profits made on the
175 land, which varied yearly on account of faulty water control, weather vagaries, floods, pests, dust storms, and lack of security from marauding neighbours or nomadic tribes. Annual assessments were also made on most crops in accordance with the same principle. Such assessments were usually made by sight estimation of grain shortly before it was reaped, or on the threshing floor, or by a combination of these methods.[1] The measurement of small sample areas was another method commonly used in numerous sections of the Hilla and Shāmiya divisions.[2] Occasionally fixed assessment existed, as on the number of pumping engines or lift machines on an estate,[3] or where taxes were farmed for a period of years at a fixed sum.[4]

651 The Turkish theory of variation in rates of demand[5] and in
175 assessment[6] which took into account local conditions was, on the whole, well suited to a land of violent contrasts such as 'Iraq. Behind the variations also existed a substratum of custom and of habit so firmly entrenched in the life of the country that Turkish legislation often did no more than formalize or commit to paper the habit of ages, as for instance Midhat Pasha's *firmān* on *'Uqr.*[7] Even the Civil Administration and, later, the 'Iraq Government, although condemning the lack of uniformity of the Turks and aiming at fixed assessments, had to recognize the validity of the variations with constantly recurring rebates and

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[1] Outlines of Turkish Assessment methods in *Revenue Report*, 1917, p. 18, *Admin. Report of Revenue Department, Baghdad*, 1918 (hereafter *Revenue Report*, 1918), (Baghdad, 1919), pp. 6-7; ibid., 1919, p. 6.

[2] *Revenue Report*, 1917, p. 18.

[3] Ibid., p. 13; ibid., 1918, p. 7.

[4] Ibid., 1917, p. 18.

[5] A comprehensive list of Turkish demands, together with those adopted by the Civil Administration (never higher, often lower) in: *Revenue Report*, 1918, p. 8; ibid., 1919, App. B., pp. 43-7; *Revenue Circular, No.* 7, 26 *February*, 1919; also *Report on Mesopotamian Spring Harvest* (Baghdad, 1919), p. 6.

[6] For instance, land irrigated by lift on the right bank of the Tigris, above Kādhimain, paid fixed assessments in cash. Land opposite on the left bank paid fluctuating demands, *Revenue Report*, 1917, p. 13.

[7] Cited *Revenue Report*, 1917, pp. 11 ff.

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remissions of taxes to meet difficulties caused by abnormal 6.51
weather, flood or agricultural conditions. The system in appli- 175*
cation was not without its abuses. Once a variation had been made, either in increase or in reduction of demand, valid enough at the time it was made, it was often assumed to be permanent after the original circumstances had passed into oblivion. Thus inconsistencies had grown up side by side with elasticity.

The right to collect the assessment was frequently put up to auction or sold by negotiation. In Basra Wilayet, the practice was also followed of making each shaikh responsible for the revenue of his tribe. In Baghdad Wilayet, however, the practice had been to make the *sarkars* (invariably pronounced *sarkals*) or sub-lessees directly responsible for cultivation, and also responsible for revenue payments.

The system of annual estimates no less than the method of collection had afforded opportunities for bribery and corruption. The assessors, without adequate supervision, varied the assessments according to the inducement offered them; auctioneers who sold the right of collection could be bought or intimidated into selling to particular bidders. Shaikhs had to be placated to permit collection, while official machinery had to be oiled in case it was necessary to employ gendarmes to overcome opposition by the tax-payers.

British Revenue Administration

From the occupation of Basra Wilayet onwards, British 6.51
officials had deemed the opportunities for corruption, the lack 727*
of encouragement of agricultural development by means of 175*
fixed assessments and, above all, the inconsistencies of the system as sufficient reasons for frowning upon the system, particularly the fluctuations in assessments and the variations in demand. 'The ultimate aim', the Revenue Secretary wrote in 1918, 'of our revenue policy is to make a fixed assessment at equable

651 rates and payable in cash, instead of the present arrangement."[1]
727 Fixed assessments, however, were found to be impossible for
185 the time, as was the immediate creation of a revenue system which, while based on the familiar fiscal system in accordance with the instructions of H.M. Government, would embrace the improvement of the revenue staff, the settlement of 'Iraq's fundamental agricultural problem, that is, the definition of the rights of labourer, tenants, landowner and state over the land, and the resuscitation of agricultural prosperity in a manner that should be politically sound. Nevertheless, steps were taken in that direction. Consolidation of position occupied most of 1917. By the end of 1918 it was claimed by the Revenue Department that, although Turkish methods were still employed, the results were better than under the Turks, even after years of effort on their part.[2] In fact, in that year the British authorities issued demands for and collected more land revenues than had the Turks in any pre-war year. The latter in 1911-12 collected approximately Rs.96,97,000 or about £690,000 in tithes, *koda* and minor land taxes.[3] In 1918, similar categories of taxation produced Rs.157,47,430 or £1,124,817,[4] or one and two-thirds times the receipts of 1911. Even greater progress was made in 1919, the civil authorities collecting Rs.182,23,497 or £1,301,784,[5] or nearly double the 1911 receipts.[6]

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[1] Revenue Circular No. 7, February 26th, 1919. Cf. *Revenue Report*, 1917, pp. 5 and 42.

[2] *Revenue Report*, 1918, p. 6.

[3] *Bulletin Annuel de Statistique*, 1327 (1911), Imperial Ottoman Ministry of Finance (Constantinople). Turkish piastres converted throughout at 7½ per rupee and 110 per pound sterling.

[4] Exclusive of revenue grains supplied to the Army, valued at 60 lacs—*Review C. Admn.*, 1914-1920, p. 118. Rupees converted throughout to sterling at fourteen to the pound.

[5] *Budget Estimates*, 1920-1921, p. ii.

[6] Notwithstanding the statement 'the land-revenue receipts for 1919-20 were substantially lower than in Turkish times', Wilson, op. cit., p. 264. Cf. comment in *Review C. Admin.*, 1914-1920, p. 88, an official report prepared under the Acting Civil Commissioner's supervision: 'The country has paid more in taxation than it used to pay.' Also Telegram No. 8784, Civil Commissioner, Baghdad, to India Office, July 21st, 1920. For further comparison of revenue receipts see *infra*, p. 143.

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Koda, the Turkish head-tax on camels, buffaloes, sheep and goats from time immemorial, had been, at the time of the occupation of Basra, converted to a slaughter-house tax in order to lower the price of meat for the army. In other regions, as in lower 'Iraq, where the Turks had given up the attempt to collect the tax, the British made no effort to revive it until 1919.[1] Elsewhere, the tax was collected by a variety of methods at the rate of a rupee per camel or buffalo, and eight annas per sheep or goat. The most common method in the tribal areas was to assess the tribe and, in accordance with the policy of using the shaikhs to govern, lay the collection on the shaikhs and *sirkals*, giving them a percentage for their efforts. It was hoped to extend this method throughout the country.[2]

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Other former Turkish sources of revenue, such as the military tax, fell into abeyance. Others, such as the income tax, *tamattu'*, were abandoned.[3]

In Baghdad Wilayet, the Revenue Department included, as it had in Basra, a number of duties other than purely revenue work. It dealt with Customs, Public Debt, *Waqf* Administration, Land Regulation, Education and, under military supervision, with Irrigation and Agriculture. During 1918, however, as the staff increased and organization extended, each department tended to become a separate unit. Nevertheless, the Revenue Department continued to expand, dealing with seventeen varied aspects of administration in September, 1919.[4] By April, 1920, its activities had extended to some twenty-two branches of the Administration.[5]

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[1] *Revenue Report*, 1918, p. 4.
[2] Ibid., p. 14.
[3] Dobbs, H. R. C., *Collection of Notes on Revenue Matters*, 1915-1916 (confidential).
[4] *Note on the Organization of the Civil Administration of Mesopotamia, September 1st, 1919* (Baghdad, 1919).
[5] Ibid., *April 1st*, 1920 (Baghdad, 1920).

175 327 did undoubtedly confer great benefits on the country, causing a development within a period of two or three years under the stimulus of war, such as it otherwise would not have gained in as many decades.

It must not be concluded, however, that these works and expenditures were originally undertaken to facilitate winning the war to which they contributed no less than many manifold activities on which no other return had been demanded or expected, a fact recognized by Sir John Hewitt, who, in his report to the Army Council in 1919, stated:

> We are unanimously and emphatically of opinion that there is no ground for the suggestion that the expenditure of Army funds has been prompted by the desire to provide for after-peace developments, and we consider that they have been uniformly expended with the primary object of securing the efficiency and comfort of the force.[1]

Nevertheless, the demands made by the military authorities for repayment of their expenditures, incurred at unprecedented rates, for objects which they considered, often arbitrarily, would prove useful to the civil population, and the enforced necessity of taking over unfinished programmes of Irrigation and other departments, conceived and executed on a war-time scale, often without proper supervision or trained personnel,[2] placed an undue strain on the budgets of the Occupied Territories.

175 327 251 To meet these budgets, including the expenditure on those objects 'which could only be justified or explained' as Mr. Asquith declared in the House of Commons, 'on the assumption that you are going to deal with 'Iraq as a province or

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[1] Hewitt, op. cit., p. 27.

[2] A 'typical' example, cited Hewitt, op. cit., pp. [illegible] and App. [illegible], is that of the purchase of irrigation pumps by an inexperienced officer, dispatched to India without adequate instructions. Two hundred pumps were asked for, of which the pre-war price, in new condition, averaged £180, delivered in Basra. After months of delay 19 [illegible] pumps were delivered, at a price averaging £1,250 in Bombay. The pumps were eventually resold by the Directorate of Agriculture at a considerable loss.

district which is going to be governed in the Anglo-Indian fashion',[1] revenue collection was pressed forward on the basis of the former Turkish demands but with rigid insistence on the payment of the full demand wherever possible, such as the Turk had never been able to do. In the two years, 1918 and 1919, the Civil Administration collected Rs. 809,44,900,[2] or an average of twice the revenue collected in 1911, which had been equivalent to Rs. 226,37,000.[3] In 1920 the revenue receipts were Rs. 693,00,581, excluding railway revenue,[4] or three and a third times the Turkish receipts of 1911. The original estimate had been Rs. 760,69,896.[5] The surplus for 1919 alone was one-half the total receipts of the Turks in the pre-war year just mentioned, while the entire surplus accumulated in the period of the Military Occupation was one and a half times the revenue collected in the same pre-war year. These figures are all the more remarkable when the amounts remitted as subsidies or for political services, as in the 'Amara and Dulaim Divisions, are taken into consideration.

It need not be supposed, however, that taxation was unfairly oppressive, although it tended to press most heavily on the agricultural worker to whom the burden was eventually passed under the prevailing land tenure. Prosperity was general: trade was flourishing, the price of agricultural products was high, wages had risen beyond the bounds of imagination, and rents had soared. In addition, classes who had never paid taxes were no longer able to evade payment by bribery or force as in pre-war days.[6] Others who had paid little, escaping through faulty assess-

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[1] *Parl. Debates, H. of C.*, 5th S., Vol. [illegible] (1920), [illegible]; also ibid., Vol. [illegible] (1920), p. [illegible].

[2] This total (exclusive of revenue grains supplied to the Army, valued at [illegible] *Review C. Admin.*, 1914-1920, p. [illegible]) is based on *Abstracts* in *Budget Estimates*, 1920-1921, p. [illegible].

[3] *Bulletin Annuel de Statistique*, 1911. For comparison of land-revenue receipts see supra, p. [illegible].

[4] *Admin. Rep.*, 1920-1922, pp. [illegible]. [5] *Budget Estimates*, 1920-1921, p. [illegible].

[6] *Handbook of Mesopotamia*, Vol. [illegible], p. [illegible], estimates that in previous days [illegible] of the population of the Vilayet of Basra escaped taxation of all kinds and paid nothing whatever except perhaps bribes.

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ment or official discrimination, were now forced to pay in full. The political unrest of 1920 was not primarily due to this heavy taxation, as Lord Islington declared in the House of Lords,[1] but the fact remains that the taxation was harassing. The inability of the landlords, dignitaries, and tribes to evade taxation as they had once escaped it influenced them to throw their weight against a regime which was determined to collect what it demanded. Moreover, gratitude for the fact that for the first time in the lives of the tax-payers, tangible and concrete returns for their money were visible, was often lost in the knowledge that they had no voice in the initiation or incidence of taxation or in the choice of the objects of expenditure which, because they were essentially desirable in the eyes of the British administrators, were placed in the budget estimates regardless of whether or not the expenditure had corresponding value in the desires and standards of the tax-payers or whether it was necessary for the peculiar needs of the country.

Notwithstanding early instructions to the contrary, as on March 19th, 1915, the Civil Administration employed comparatively few Arabs in responsible administrative positions. Arabs drawing Rs. 600 or more per month[2] on August 1st, 1920, numbered 20 and formed but 5·74 per cent of the 334 officers in the same category.[3] The remaining 314 officers were British or Indian officials. Nor were the various advisory Councils, of which so much has been made as indicating the participation of responsible Arabs in their own government,[4] of any practical value, having been so organized as to make their effect negligible on the conduct of the Administration except in minor local affairs.

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[1] *Parl. Debates*, H. of L., 5th S., Vol. 40 (1920), pp. 820–1.

[2] Following the official division as in *Review C. Admin.*, 1914–1920, p. 120.

[3] The Arabs so employed were distributed among the departments as follows: Judicial Department, 10; Divisional Political Staff, 4; Irrigation, 3; Tapu, 2; Waqf, 1. Telegram No. 9869, Civil Commissioner, Baghdad to S/S for India, August 19th, 1920.

[4] *Review Civil Admin.*, *O.T.*, 1914–1918, pp. 24–6. *Ibid.*, 1914–1920, pp. 132–4.

175 fact that the propagandists concentrated strongly and per-
176 suasively on matters nearer to their hearts and to their personal
468 advantage than the abstract concept of a national existence.

619 National independence thus became attractive to the tribes
651 not because of any theory of indigenous administration or any hope of an Islamic state,[1] but because it promised an escape from Government, particularly one insistent on the payment of taxes. Their concept of the ideal government was one with bread in one hand and a club in the other: that is to say, dispensing benefits for which they were not called upon to pay, and maintaining a strong justice with impartiality. The Turks had in no way lived up to this conception. The British Administration at its inception had been promising, but it had gradually lost its ideal character. Tribal districts were now forced to pay revenue such as they had never paid before[2] and as they were never to pay again.[3] In the Muntafiq, for instance, the collection of revenue per capita had increased from less than one-fifth of a rupee (As.2 Ps.10 or 3d.) in 1916[4] to Rs.5 As. 10 in 1919 (about 8s. 6d. in sterling). It fell again to Rs.1 As.4 (about 1s. 11d.) in 1922,[5] rising to Rs.4 As.5 (6s. 6d.) in 1929, above which it has never risen. Nor did the tribesmen see

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[1] *Admin. Report Muntafiq*, 1920, p. 4; Ibid., 1921, p. 5.

[2] *Supra*, pp. 118, 143. The Bani Hachaim paid heavy taxation for the first time in their history in 1919: *Admin. Report, Diwaniyah Division*, 1919 (Baghdad, 1920), p. 1.

[3] The collection of Revenue in the Muntafiq, 1916 to 1928 was:

1916	Rs. 32,484 (*)	Only Nasiriya and Suq ash-Shuyukh districts occupied.
1919	16,61,823 (*)	
1922	3,68,918 (†)	April 1st, 1922, to February 1st, 1923.
1926	10,02,699 (‡)	
1928	14,77,033 (§)	The peak year before fall in prices.

(*) *Admin. Report Muntafiq*, 1921, p. 30; (†) *Report of the Accountant-General*, 1922-23 (Baghdad, 1924), pp. 11-12; (‡) *Report on the Operations of the Revenue Department, Ministry of Finance*, 1926-27 (Baghdad, 1927), p. 23; (§) Ibid., 1928-29 (Baghdad, 1929), p. 30.

[4] Based on a population of 293,137, the average of the estimate 300,000 in 1918-19 and that of 271,074, made in 1920-1 for the League of Nations. Dickburn in *Admin. Report, Muntafiq*, 1920, p. 1, estimated the Muntafiq population at 300,000.

[5] April 1st, 1922, to February 1st, 1923.

benefits flowing directly to their districts in proportion to their taxation. The receipts for the great tribal Divisions of Muntafiq, Diwaniya and Shamiya in 1920 were estimated at Rs.33,33,100 or nearly one-quarter of the total local revenue of the fourteen divisions.[1] The purely divisional expenditures in the three divisions were Rs.13,03,440 or 18·8 per cent of the total divisional expenditure.[2]

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Another grievance dominated tribal feeling. The tribal policy adopted by the British authorities in 1915-18 for restoring the power of the shaikhs, largely for military reasons, had been extremely valuable but it had been carried beyond its original and logical conclusions. It had carried with it the necessity of supporting the paramount shaikh in all but the most flagrant uses of his power. Events had proved, however, that these shaikhs had abused their authority, using it for their personal aggrandisement. The other shaikhs and tribesmen, sullen and resentful of the growing autocracy of the Government shaikhs, found in Nationalism a promise of release both from the shaikhs and from the Government which supported them.[3] It is a fact that in the Insurrection of 1920 the enmity of the insurgent shaikhs and tribesmen in many centres was directed less against the British, in spite of Shi'a incitement, than at the paramount Government shaikhs[4] who, in many cases, were forced into the towns from which they dared not stir. In this atmosphere the exhortations of the religious firebrands to rise, slay and loot produced results far greater than the intrinsic merit of their Nationalist propaganda would justify.

Nevertheless, in spite of the undeniable power of fanatical religion among the turbulent tribesmen and in spite of the tribal grievances and hatreds which both Shi'a and Sharifian mutahids went there on pilgrimage. Later, at a tribal gathering /25 at Shumali, the leading shaikhs between Shinafiya and Hilla /26 unanimously determined to follow the lead of Yusuf as-Suwaidi and Saiyid Muhammad as-Sadr. As a result of incitement from Baghdad, the Holy Cities and Syria, the tribes and towns became increasingly restless. A train was derailed above Baghdad in late May, and others below Hilla in early June. Petty crimes increased at an alarming rate. Arabs in government service began to resign. The collection of revenue on winter crops became more and more difficult. In Shatra, in the Muntafiq, it had already been intimated to Captain Mead, the Assistant Political Officer, on May 17th, that should he persist in carrying out chain or rope measurement of crops, he would be forcibly resisted.[1] The arrest of six agitators at Hilla[2] relieved the tension there, but the arrest and deportation to Henjam[3] of Mirza Muhammad Ridha and nine others at Karbala on June 22nd added to the perilousness of the situation on the middle Euphrates. The arrest of Hajji Mukhif, the principal agitator in Diwaniya, did nothing to check the rising there. Signs of incipient unrest were manifest everywhere and a lapse into former lawlessness and anarchy seemed imminent. It was clear that only a spark would be needed to send off the train of insurrection.

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[1] *Budget Estimates, 1920-1921*, p. 81.

[2] Ibid., p. 6.

[3] *Review C. Admin.*, 1914-1920, p. 143. *Rev. of Admin. Report, Muntafiq*, 1920, pp. 2-3.

[4] Ibid., p. 3 (30); Blackwood, G. H., A.P.O. Samawa: *Official Report on the Causes of the Tribal Disturbances in the Samawah District, August 9th, 1920.*

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[1] *Admin. Report, Muntafiq*, 1920, pp. 2-3. The method of crop measurement (27) introduced by the Turks, is described in detail in *Revenue Report*, 1919, p. [illegible] As late as 1919, rope measurement was employed in the Muntafiq and elsewhere in 'Iraq as a current method of crop assessment. *Report of Revenue Department*, 1918-1919, pp. [illegible]; also App. [illegible] See cf. Wilson, *op. cit.*, p. [illegible]

[2] Telegram No. 7089, Civil Commissioner, Baghdad, to P.O. Hilla, June 16th, 1920.

[3] According to the official *Gazetteer of the Persian Gulf*, p. 809 ff., Henjam 131 is a small, rocky and desert island in the Persian Gulf not far from the Clarence Straits. Its climate in summer is 'barely tolerable', the heat being terrible and aggravated by sandflies, mosquitoes and other insects.

650 handed over to the Debt Commission. The balance of £383,009 sterling was to be spread over a period of seven years.

Examination of the method of balancing the budgets and of meeting the demands of the Ottoman Debt bondholders indicates, however, that the results have been secured by the wholesale reduction of salaries and by the reduction of appropriations to government services which vitally concern the regeneration of 'Iraq: Irrigation, Agriculture and Public Works. In 1923, salaries of 'Iraqi officials were reduced by amounts varying from 2½ to 25 per cent on the recommendation of the Economies Committee of 1922.[1] In March, 1926, following recommendations by Mr. Hilton Young,[2] additional reductions were made, while in November, 1930, following the financial crises arising from the fall in agricultural prices, salaries were further reduced by amounts varying from 5 to 8 per cent.[3] The result was that official salaries fell out of proportion to the cost of living; much dissatisfaction was produced, particularly since British officials under contract suffered no such reductions; and encouragement was given to the return to other methods of supplementing salaries which, prevalent under the Ottoman regime, had been severely discouraged by the British Advisers and Administrative Inspectors.

● 651 In the assessment and collection of land revenue, progress had been undoubtedly made by early Finance Ministers and their Advisers in removing some of the defects inherent in the Turkish system as adapted by Revenue Officers of the Civil Administration. Nevertheless, in 1923, the primary objectives before the 'Iraq Government were still those which had faced the Civil Administration in 1919.[4] These objectives were:

1. To organize the means of revenue collection, as, for example, the elimination of the tax-farmers, and to

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[1] *Report of the Economies Committee*, 1922 (Confidential), (Baghdad, 1922).
[2] *Report of Financial Commission*, 1925.
[3] Young, Sir E. Hilton, *Report on Economic Conditions and Loan Policy* (Baghdad, 1930).
[4] *Supra*, Ch. ii.

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provide adequate methods of auditing and accounting in [6-5] ● order to remove as far as possible opportunities for speculation either by officials or private individuals.

2. To set a definite and fixed rate of demand, payable in cash, applicable to each type of land according to whether it was privately or State-owned, and to the method of irrigation employed on it.
3. To devise methods whereby it would be possible to dispense with the actual annual estimates of agricultural yields, a costly and vexatious task, disturbing to the cultivator as well as affording latitude for bribery and corruption.

These objectives meant that eventually fixed demands would be based upon cadastral units of the land itself, in relation to their potential or assumed average rate of production.

Four obstacles stood between existing conditions and the achievement of these desired aims:

1. The lack of a cadastral survey, the prime essential to any system of land-revenue administration.
2. The lack of knowledge of the taxing authorities as to exact agricultural and marketing conditions, and of the potentialities and the actual yields of agricultural produce.
3. The presence of an agricultural class, from landowners [56-5] to cultivators, unwilling from motives of self-interest to co-operate with the Government in agricultural assessments.
4. The existence of official personnel, which in many cases was insufficiently trained and was susceptible to outside influence.

If many of the problems remained unsolved to-day as they were in 1932, it has not been for the lack of conscientious effort on the part of both 'Iraqi officials and their British Advisers. The long delayed cadastral survey has been pushed forward. Sir Ernest Dowson, formerly Surveyor-General of Egypt, was

●657 asked in 1929 to study land-tenure and, on the basis of his recommendations,[1] a Land Settlement Department was created in the Ministry of Finance. The deep-rooted conservatism of town and tribe, the lack of experienced staff and the undesirability of sudden changes involving possible serious political consequences made sweeping changes impracticable. Nevertheless, from 1926 onwards, legislation aiming at the simplification of existing methods both of assessment and collection found their way on to the statute books[2] until a radical change was made by the introduction of the *Istihlak* or Consumption Tax, June 2nd, 1931.[3]

The *Istihlak* Law, based on the principle of collecting a fixed proportion of the value of a commodity at the time of its sale, has aroused sharp differences of opinion as to its merits. It has been regarded as costly, complicated and difficult of application, affording opportunities of evasion. On the other hand, in spite of its imperfections, it seems to be a step in the right direction towards the simplification of taxation and the relief of a portion of the burden on the small landowners. Although no ostensible effort seems to have been spared to make the incidence of taxation more equitable, there seems to have been a tendency for returns from land-revenue to decrease while other forms of receipts, particularly customs and excise duties, increase. In 1921, land-revenue produced 21.1 per cent of the total receipts, and customs and excise 38 per cent. In 1928, customs and excise returns rose to 43.5 per cent and in 1931, to 48.2 per cent, while land-revenue fell to 20.3 per cent in 1928 and to 9.3 per cent in 1931.

Iraqi officials are apt to attribute this phenomenon, on the

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[1] Dowson, Sir E. M., *An Inquiry into Land Tenure and Related Questions* (Letchworth, 1932).

[2] Law No. [illegible] of 1926: Compilation, 1926, p. [illegible]; *Amendment of Assessment of Land Tax Law*, No. [illegible] of 1927: ibid., p. [illegible]; Law No. 23 of 1929: ibid., p. [illegible]; Law No. [illegible] of 1928, ibid., 1928, p. 8.

[3] *Istihlak* Law No. [illegible] of 1931, ibid., 1931, p. [illegible]. This Law after being repeatedly amended was repealed when a new Law, No. [illegible] of 1933, incorporating the amendments, was passed July [illegible], 1933. Ibid., 1933, p. 183.

one hand, to recognition of the long existing necessity of 657
lightening the burdens on agricultural produce, and, on the
other, to the fall in world prices. The former argument might
be more effective if the principal benefit of the reduction of
land-revenue had been widespread and not restricted thus far
to the comparatively few large landowners. The fall in world
prices did no doubt cause a tremendous decrease in land-revenue
but the decrease has been out of all proportion to the
fall in prices. It must be observed also that no proportionate
decrease occurred in the animal head-tax although the price of
animals fell as sharply in 1930 as that of agricultural produce.
Thus, while *koda* produced 5.2 per cent of the total receipts in
1921, it produced 7 per cent in 1928 and 6.2 per cent in 1931.
The comparatively steady returns are hardly explained by
increasing efficiency in collections and by increase in
flocks but rather by the fact that most of the animals were
owned by tribes whose voices counted for little in official
circles.

Less tangible evidence seems to exist for the success of the 657
attempts to eradicate corruption from revenue assessment and 661
collection and from financial administration than for any other
aspect of administrative activity, although every British official
in the Ministry of Finance has striven for that end. The
existence of dishonesty and of jobbery for financial favours,
which seems to have increased from 1929-30 onwards, has been
one of the most unsatisfactory features of administrative life,
as most 'Iraqis admit. The tendency has been to lay the blame
upon Turkish ex-officials and upon practices inherited from
Turkish days, but the evil seems to be too prevalent to be thus
accounted for. The true explanation seems to lie in the fact
that public spirit has not yet been able to rise above the natural
desire to avoid taxation, no less strong in 'Iraq than in other
countries. The attitude of Parliament to personal aggrandisement 661
at the expense of national interests has already been
indicated. Even Ministers have been known to take advantage

435 as 60,000 people are engaged in industrial production (other than oil), virtually all of these are employed in small undertakings where the work is largely done by hand and productivity is accordingly quite low. Probably only about 2,000 are working in what might be characterized as modern industrial plants.

654 Fortunately prospective increases in government revenues
● 651 from oil now make it possible for the government to undertake a
382 large-scale program for the development of the country. Past investments in the oil industry will in the future yield large dividends in the form of a rapidly increasing production of petroleum.
[411] In accordance with an agreement reached in August 1951, subject to ratification by Parliament, the three internationally-owned oil companies operating in Iraq have undertaken to raise oil output, which amounted to only about six million tons in 1950, to 30 million tons per year by the end of 1955 and to turn over to the Iraqi government half of the profits before the deduction of taxes. On this basis it is anticipated that, over the next five years, the governmen may receive net revenues amounting to as much as 214 million dinars from oil alone. Under the terms of a law passed in 1950 these revenues will be available to finance development. They will be assigned to the Development Board, an autonomous agency established in 1950 to ensure greater continuity in the planning and implementation of development programs.

652 In the past, financial stringencies have severely limited public expenditures. The government has often had difficulty in making both ends meet. Severe economy has been the rule. Development outlays had to be kept small; government salaries were not raised in accordance with the increasing cost of living; and local administration was starved of funds. In the future the situation will be reversed. The principal task will be to find ways and means of spending rapidly increasing revenues in a manner which will contribute most effectively to the permanent development of the country. It is with this task in view that the Mission has drawn up its recommendations.

[illegible] Any program for realizing the economic potentialities of the country should be broad in conception and well balanced. Investment outlays in dams and irrigation works, transport facilities and industrial plants must be complemented by increased expenditures

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654* In this program, the Mission has not included the expenditures already provided for in the 1951-52 budget of the Development Board. For the period 1952-53 to 1956-57, inclusive, the Mission has, however, taken into account not only those projects which it has studied and recommended, but also certain others which it has not examined in detail and which the government has already decided to carry out. The latter include the oil refinery, and a variety of projects such as public buildings and summer resorts, for which the Development Board has provided in its five-year program.

The program includes not only investment expenditures, but also increases in recurrent outlays which the Mission considers important to development. Since the ordinary budget out of which these recurring expenditures are generally defrayed will remain tight for a number of years, the Mission strongly recommends that any increases be financed by Development Board funds. Pressures for a reallocation of a designated portion of the oil revenues might well become irresistible if the Development Board insisted on confining its expenditures to purely investment projects and allowed the activities which are normally financed out of the regular budget to become starved of funds, no matter how important they might be. Such a development would seriously impair the prospects of carrying out a coherent program. Although in principle the segregation of revenues for particular purposes is open to serious question and the allocation of oil income to the Development Board will probably give the latter, within a few years, more than twice as much revenue as that accruing to the ordinary budget, the Mission believes that the continuation of this arrangement will be, on the whole, beneficial. It provides more definite assurance that the oil revenues will actually be used in the interest of an integrated program of development rather than dispersed over the whole field of the government's operations without making an effective, permanent contribution to a rise in the standard of living.

Financing the Program

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658* As long as the oil revenues continue to be assigned to the Board, no serious difficulty in financing the contemplated development program should be encountered. As already indicated, the

oil companies have assured the government an increase in the annual rate of production to 30 million tons by the end of 1955 and a division of profits which, it is estimated, may increase the government's revenues from oil to ID 59,000,000 in 1956-57. After allowing for Iraq's obligation to surrender to the Turkish government 10 percent of its revenues from the output of the Kirkuk and Mosul fields and for the repayment of ID 2,400,000 of past oil royalty advances, the government's net income from oil over the five-year period, 1952-53 to 1956-57, may reach about ID 214,000,000. This sum, plus about ID 3,000,000 representing the increase in revenue for 1951-52 not programmed in the Development Board's first annual budget, may thus be available to the Board for financing its program. The total amount would be ID 49,000,000 in excess of the entire developmental outlay contemplated by the Mission.

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The Mission would strongly advise against any attempt to program this potential "surplus" at this time. First of all, such an attempt would be highly unrealistic in view of the enormous difficulties already involved in the appropriate expenditure of the sum suggested by the Mission. Secondly, the income from oil may fall below estimates. Finally, the cost of the program may well increase substantially under the impact of world-wide inflationary pressures. To the first of these, the Mission will later revert in some detail. The second is worth emphasizing because the new arrangement with the oil companies provides a variable rather than a fixed rate of return in the form of half of the profits before taxes. The revenue estimates cited above apparently rest on the assumption that the current price of oil will be maintained and that wages and new equipment costs will not rise significantly. If the anticipated relationship between costs of production and the price of oil is upset in such a way that the former rises more rapidly, profits and therefore income will fall below the expected levels. Although the oil companies have already made the bulk of their investment, future increases in wages and in the cost of additional equipment are not unlikely and may make future costs of production somewhat higher than current estimates. Whether such an eventual increase in costs would be offset by higher prices for crude oil depends on developments in world production and demand for

651 654* oil. It is possible that the rapid rise in output which may be expected to take place in other Middle Eastern countries, with the possible exception of Iran, will tend to restrain prices. In any event, it would be imprudent to rely on the receipt of all the anticipated revenue. In addition, part of the income should be set aside to meet contingencies and emergencies, particularly further increases in costs. The present low level of wages will unquestionably rise as the development program gets under way and demand for labor increases. Moreover, the rearmament effort under way in the West may exert a constant upward pressure on the prices of materials and equipment.

654* 467 Since the oil revenues will be received in the form of sterling, Iraq should have ample foreign exchange to defray the cost of imports required for the development program. There should be no need for foreign loans except perhaps to meet part of the hard currency needs. As a member of the sterling area, Iraq is dependent on the sterling area dollar pool for allocations of dollars. Until 1951 Iraq received a fixed annual allocation of hard currencies, but under a new arrangement, effective provisionally for one year, the United Kingdom has undertaken simply to furnish sufficient dollars to cover Iraq's essential needs. For part of the extraordinary dollar import requirements arising out of a rapidly expanding development program, Iraq may still have to borrow abroad.

Obstacles to Development

654* While financing the program will present no difficulty, the rate of expenditures envisaged will pose serious problems. To carry out a five-year program involving an outlay of ID 168,000,000, the Development Board would have to spend ID 13,000,000 in 1952-53 and successively larger sums up to a total of ID 50,000,000 in 1956-57. The experience of other countries in process of development illustrates that it is not easy to spend money rapidly and efficiently on well-conceived projects. Expenditures in most cases tend to fall short of the targets. The International Bank, for example, has noted that disbursements on its loans to underdeveloped countries seldom conform to original schedules. In Iraq the development program will require the government to gear itself to an annual rate of expenditures which at the end of the next five years will need

Effect on Incomes and Prices

453 During the war and for a short time afterwards, Iraq experienced a severe inflation. Since then, it has enjoyed a fair degree of monetary stability, largely as a result of the conservative financial policies of the government. In fact special local circumstances have lately induced a certain degree of deflation in spite of the strong inflationary influences prevailing in the world outside. The sharp rise in the level of employment and income which will ensue from the development program is bound to alter the whole structure of the economy. Upward movements in wages and prices can certainly be expected. In part, these will be the unavoidable concomitant of the process of development. In part, they may be the result of a general inflation in world prices, which would be beyond the control of Iraq.

454* 455 The principal task confronting the government is to prevent an inflation in any way comparable to the wartime one. It is most important to avoid a marked wage and price inflation which would not only make development far more expensive, but might also create serious discontent. The government has, however, ample means at its disposal to avert such a danger, if it allows liberal use of its sterling income from oil to pay for imports.

The principal reason for the wartime inflation was the large expenditure of money by the military forces in Iraq and the lack of imported goods—for obviously cogent reasons—to satisfy the ensuing demand. Given a sufficient supply of consumer goods from abroad, there should be no reason in peacetime to repeat this
● [51] experience. Accordingly the Mission would recommend that in due course a competent committee re-examine the customs tariff and the system of import licensing. Some of the restrictions in the present licensing system were imposed to meet a passing situation and could well be discarded. Certain objectives, for example, restriction of imports of "luxury" goods in favor of necessities, might be better accomplished by appropriate changes in the customs tariff. Efforts should also be made to discard, if only gradually, the present method of customs valuation for goods assessed ad valorem, whereby the domestic wholesale price is taken as the basis of valuation.

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position to finance investment expenditures. The National Bank should operate essentially as a banker for the commercial banks and therefore should not finance long-term investment. To discourage credit expansion on the basis of the larger foreign income which will accrue from oil, the Mission suggests that, instead of selling sterling receipts to the National Bank, the government segregate them in a special account in London apart from the country's regular foreign exchange reserves until such time as they are spent abroad or the dinar equivalent is spent in Iraq.

Tax Reform

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Total tax revenues will probably not need to be increased provided any temporary ordinary budget deficit can be met by short-term borrowing of idle funds at the disposal of the Development Board. The only exception might be taxation to pay part of the cost of raising government salaries. On the other hand, some revision in the tax structure to provide a more equitable apportionment of the burden would be desirable. In common with many other underdeveloped countries Iraq relies strongly on indirect taxes which bear heavily on consumers without taking into account capacity to pay. Thus in the last three fiscal years indirect taxes contributed about 82 percent of all tax receipts and 71.5 percent of all budget income, while direct taxes accounted for only 18 percent of all tax revenues and 13 percent of total government receipts. While drastic changes in the tax structure may not be feasible, some decrease in the burden of indirect taxes appears desirable. There might well be a reduction in import duties on some essential goods such as sugar and cheap cotton and rayon textiles, offset, perhaps, by an excise tax on luxuries. Likewise it may be desirable to decrease and gradually abolish, except in its application to exports, the so-called *istihlak* tax which is levied on produce brought to market and at a rate varying in recent years between 10 and 12½ percent of approximate market prices. Except for the partial incidence of this tax, agriculture in Iraq is hardly taxed at all. The income tax which bears very heavily on the salaried classes, whose income is already comparatively low, does not apply to income from either agricultural land or urban property. Agricultural land in private hands has not been taxed since 1936 when a land and water

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rent tax was abolished in return for certain payments to be made by the landholders over a maximum period of ten years. Thus the tax system discriminates in favor of those who have managed to obtain state lands in *lazmah* grant and against those who have regularly leased land from the state. The latter continue to be assessed for rent whereas the former, who have frequently secured large *lazmah* grants on the basis of rather tenuous proof of occupancy and cultivation, escape any tax or rent assessments on their land.

The application of a graduated income tax to agriculture, while equitable, may not be politically feasible at present and would certainly pose difficult problems of assessment. Consideration should be given, however, to the reintroduction of some type of land tax. The fact that the cadastral survey is only half completed would not be an insuperable obstacle. In most cases the land held by each individual will be well known in the locality where he resides. Landholders could be required to register for taxation all the land they claim with the provision that they would not be allowed to establish claims during the cadastral survey to any lands not so registered; and in case of conflicts between actual occupants and other claimants, the tax could provisionally be levied on the actual occupant. It would probably be desirable to levy the tax on cultivable land rather than land actually under cultivation in order to provide an incentive to production or, alternatively, to release idle land for resettlement. Tax rates would have to vary in accordance with productivity of the land, which could, as in some other countries, be ascertained through tests or control plots located in various parts of the country. The tax rate should presumably also take into account the government contribution to irrigation of the land. The adoption of such a land tax might be linked with the gradual reduction and perhaps ultimate abolition of the *istihlak*.

X. Conclusion

[illegible] Today the people of Iraq for the most part suffer from dire poverty. Although a relatively small number of city merchants and landowners enjoy high incomes, the average standard of life is extremely low. The future would hold little prospect for relief if

7: International Bank N, 5-4 (1951) 1952 MH1 Iraq MH1

little more than one ton left to sell and he might even have to 231 keep part of this for his draft animals, if they are unable to find enough stubble and other natural fodder.

The price which a fellah gets for his grain is usually very much less than the wholesale market price in Basra or Baghdad. Although rail transport is very cheap for grains, the other costs such as local transport, bagging, weighing and storage are high; the merchants' profit and the *istihlak* tax also have to be deducted. Finally, the fellah's funds are usually exhausted before the harvest season and he frequently accepts a low forward price on his crop before it is gathered. For the 1950-51 crop, prices have been high (over ID 20 per ton), but many fellahin undoubtedly sold forward at prices little over ID 10. This would not be an unusual price in past seasons. Thus, ID 10 for the winter crop and perhaps another ID 10 for a small summer crop of sesame would constitute his total cash income for the year.

This income would usually be spent on food, clothing and possibly some low-grade domestic tobacco. Two of the most [432] important items in food expenditure are sugar and tea. Dates, particularly in the South, and a few vegetables such as onions are also purchased, but, on the whole, most fruit and vegetables are beyond the reach of the fellah and are sold in the towns. Meat is only eaten occasionally, although fish is available in the marsh areas of the South. Nor does the fellah who owns no animals other than his draft animals consume much milk or *leban* (sour milk). Clothing would consist of some cheap cotton sheeting sufficient for a few garments and occasionally a second-hand jacket; few fellahin wear shoes. Hardly anything is spent on housing or furniture, the living quarters being a small mud hut without windows and hardly any furnishing but a few mats and cooking utensils. Soap, for example, is undoubtedly a luxury. Life is not far above the subsistence level and must often be below it.

In the process of selling his surplus crop and making his small 439 purchases, the fellah is taxed. While with crops consumed in 657 Iraq the *istihlak* tax is largely borne by the buyer, in the case of an export crop such as barley, which is influenced by world prices, the tax falls most heavily on the producer. At the end of 1950, customs duties on sugar were about one fifth to one quarter of the

871 657 Baghdad retail price; on tea, about one sixth. Duties on textiles are also high, but cannot be so easily measured in terms of the retail price, while excise and other revenue collected on tobacco are also very large. In the case of barley, these indirect taxes on sale and purchase might reduce the fellah's real income from his saleable surplus by as much as one third.

591 Although the villager contributes to the revenue of the country, he receives little in the way of benefits from its expenditure. He is usually without any kind of education, which in itself militates against the improvement of his position. Thus the average fellah would not be able to read even the simplest leaflets, which might be published to improve his methods of cultivation. Government officials, who might impart this knowledge by personal contact, are too few or too hampered by lack of transport to be able to reach him. Much the same applies to his health, which is generally poor in the first instance because he is unable to afford an adequate diet.

Apart from a few generalizations, lack of information prevents comparisons with other types of agriculture such as rice cultivation in the marsh areas of the South, date-gardening along the Euphrates and in Basra or grain-growing in the North. In general, the rice areas appear to be extremely congested and living standards are probably the lowest of all. Land in the North is more plentiful, the smallholder is more common, and, in any case, the share of the landlord is far lower, but rainfall is uncertain and yields vary disastrously from year to year.

There are, of course, fellahin who have additional sources of income. The principal source is livestock. A fellah, who, in addition to working the land, owns a few cows or water buffalo is, by comparison, a rich man, but such people are not common. The capital required to purchase an animal may be several times the annual cash income of the poor fellah. Some may seek casual work during the long off-season, but again these are the minority.

The condition of the settlers in the Dujaila project is in striking contrast to that of the average fellah. The principal reason for their improved standard of living is the fact that they do not have to pay any share to a landlord. Their income is for that reason alone more than double. In addition, they have been able to acquire cows, sheep, goats and chickens. Many of them have fruit gardens.

extensive use of private exchange holdings, particularly in 1949 when licenses to the value of over ID 10,000,000 were issued, it may well be that it has also encouraged the illegal acquisition of foreign exchange.

A fourth list consists of prohibited goods. This is purely a protective device, almost all of the goods in this list being produced in Iraq. These include a variety of agricultural products such as sesame seeds and cottonseed or their oils. Several of the newer industries have also been protected by the prohibition of their products, for example, beer, cement, cotton yarn, aluminum ware, alcohol and hides.

Although the improvement in the foreign exchange situation has led to a relaxation of the quota limitation, the other restrictions remain. In particular, import licenses still have to be obtained for each purchase. Although it is maintained that licenses can now be obtained quickly, this appears to act as at least a psychological deterrent to merchants. One of the objects of the licensing system is to restrict importing to bona fide merchants, but if this is considered necessary, it could, of course, be achieved by the issue of a general importer's license, good for a period such as a year.

As the economy develops and the standard of living rises, which it may do rapidly in the near future, the demand for goods now on the limited and prohibited lists is likely to increase and restrictions on imports of these goods might easily have an inflationary effect on prices. This would hit the artisan, the clerk and the civil servant, and might increase the cost of the development program. Any extension of prohibition to textiles and other goods produced in Iraq would, of course, hurt the poorest classes. Under these circumstances, it will be very difficult to manage so rigid a system.

A much more flexible instrument would be the customs tariff, but little coordination of the import licensing system with the tariff seems to have been achieved. At present the tariff is primarily a means for raising revenue and, as such, imposes the greatest burden on those who buy bulk commodities. It hardly conforms to the objectives of a licensing system that aims at a plentiful supply of these goods at low prices. The principal objection put forward to higher duties on luxuries is the increased premium a little over five percent of the total. Expenditures on education, health and other social services, although still very inadequate, rose slightly so that they absorbed almost 21 percent of the total budget in 1951. Capital outlays have been extremely modest. Total new government investment outlays for civilian purposes have averaged only ID 2,700,000 annually in the period 1948-49 to 1950-51. Expenditures on public works and housing, excluding irrigation, absorbed on the average less than six percent of total government outlays in this period. 4.62

Economies have also been effected in recent years at the expense of the municipal and provincial administrations. By law, these were supposed to have assigned to them, in equal shares, the proceeds of the property and petrol taxes less the expenses of collection incurred by the central government. Actually very little of these taxes has been turned over to the local and provincial governments. For example, in the three years 1947-48 to 1949-50 the provincial administrations received only ID 171,000 out of a total of ID 2,626,000 due to them. Municipalities were similarly handicapped. The ability of local governments to carry out improvements and even to maintain existing facilities was correspondingly curtailed. 4.37 4.52

Characteristic Features of Government Revenues

The fiscal system in the past has been characterized by (1) the high proportion of revenues derived from indirect taxation, (2) light taxation of agriculture, and (3) considerable tax evasion and poor tax collection. 4.57

Indirect taxation is generally predominant in all underdeveloped countries, and Iraq is no exception. In the three-year period 1948-49 to 1950-51 indirect taxes contributed about 82 percent of all tax income and 59 percent of total budget receipts. Customs duties and excises accounted during these years for 71.3 percent of total revenues from indirect taxes, while taxes on agricultural produce, fish, and livestock brought to market (the so-called istihlak and kodo taxes) contributed most of the remainder. Direct taxes—the so-called land tax, the property tax and the income tax—accounted for only 18 percent of total tax revenues and 13 percent of all government receipts. Income and surtaxes

9: International Bank R, D-4 (1952) 1952 [illegible]

447 have yielded only about ID 2,400,000 annually in recent years because income from agriculture and urban property is exempt and rather sweeping exemptions or reductions have also been accorded to Iraqi-owned industrial enterprises. The three principal oil companies have also not been required to pay income taxes in return for annual payments in commutation of all taxes. Income and surtaxes thus bear primarily on salaried employees and individuals and companies engaged in commerce. In 1948-49 all Iraqi companies paid only ID 250,000 in income and surtaxes as compared with ID 400,000 paid by foreign companies.

Both land devoted to agriculture and income from agriculture largely escape taxation. A land tax, assessed in accordance with a very complicated set of criteria, was levied until 1931 when it was replaced by a 10 percent tax called *istihlak* on agricultural 447 produce brought to designated centers, presumably for sale. At the 93.5 same time, the government enacted a Law for the Collection of Land Rent which, after its revision in 1936, came to be called erroneously a land tax. Actually it was a compound of a rent charge on all lands except those alienated in tapu to which the state had retained the ultimate title, and a tax on water whether supplied by flow or by pump. The "rent" element was supposed to equal about five percent of the value of the crop and the "water" charge between two and 10 percent, depending on whether the land was irrigated by pump or by flow, and, if by flow, whether or not the flow was regular and assured. The total charges were assessed by various criteria. For government lands, which were regularly leased, they were set either by auction or by triennial assessment of the type and amount of crops grown on the land. This levy, which itself was circumscribed by a number of exemptions, was abolished in 1939, except for miri lands leased regularly by the government, in return for certain payments over a maximum period of 10 years. In view of the subsequent inflation these 451 proved to be rather light. Thus virtually the only outstanding agricultural tax is the *istihlak*. During recent years this tax has varied from 10 to 12½ percent of the value of produce brought to market as fixed on the basis of market prices. The *istihlak*, however, is paid by the buyer rather than the seller, although the producer may actually bear it insofar as prices are set in the export market

[illegible]

TABLE [illegible]

COMPOSITION OF GOVERNMENT RECEIPTS

(In millions of dinars)

[illegible]

	Actual results			Estimates
	[illegible]	[illegible]	[illegible]	[illegible]
A. Taxes				
Direct taxes:				
Land tax [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property tax	[illegible]	[illegible]	[illegible]	[illegible]
Income tax	[illegible]	[illegible]	[illegible]	[illegible]
Total direct taxes	[illegible]	[illegible]	[illegible]	[illegible]
Indirect taxes:				
Consumption tax on agricultural produce and animals	[illegible]	[illegible]	[illegible]	[illegible]
Customs	[illegible]	[illegible]	[illegible]	[illegible]
Excises				[illegible]
Stamp duties	[illegible]	[illegible]	[illegible]	[illegible]
Tobacco Monopoly (net) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total indirect taxes	[illegible]	[illegible]	[illegible]	[illegible]
Total tax receipts	[illegible]	[illegible]	[illegible]	[illegible]
B. Other receipts				
Share in National Bank's profits	—	—	[illegible]	[illegible]
Oil royalties	[illegible]	[illegible]	[illegible]	[illegible]
Posts and telegraphs (gross)	[illegible]	[illegible]	[illegible]	[illegible]
All other receipts	[illegible]	[illegible]	[illegible]	[illegible]
Total other receipts	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]

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[1] Preliminary.

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● *4.57* or prices cannot be correspondingly increased because domestic demand is too elastic.

At the same time, the tax system discriminates in favor of those who have managed to obtain state lands in *lazmah* grant and against those who have regularly leased land from the state. The latter continue to be assessed for rent whereas the former, who have frequently secured large *lazmah* grants on the basis of rather tenuous proof of occupancy and cultivation, escape any tax or rent assessments on their land.

Agriculture probably also profits to a greater extent than other sectors of the economy from tax evasion. It is generally acknowledged that only between 60 and 70 percent of the *istihlak* is actually collected and that part of the tax is collected at reduced rates by downgrading the produce subject to taxation. Moreover, many leaseholders of government land simply fail to pay the rent tax. Thus of the ID 874,332 assessed in 1949-50, only ID 185,713 was actually collected. The leaseholders in Amara province accounted for ID 665,000 of the arrears. Their failure to pay may reflect in part a feeling that they are the victims of the discrimination cited above.

312 to use a quantity of water out of proportion to the amount of land
423 to be irrigated; and in times of water scarcity they must be taken into account in rationing the available supply even though an objective appraisal of relative requirements might produce quite a different distribution.

312 A larger supply of water would, of course, minimize the difficulties of distribution set forth above, but in the long run it is also vitally important that economies be effected in the amount of water used. The provision of drainage facilities and the installation of an adequate amount of regulators on canals will certainly bring about substantial economies of this character. The cultivators in Iraq, however, have for many years been accustomed to use water rather lavishly; only demonstration will convince them that they
312 can safely manage with a smaller supply. It has already been
651 pointed out that the irrigation duty is very low compared to that in many other countries. For flow-irrigated lands it is about 16,900 masharas gross (equivalent to 7,200 masharas in crops); for land irrigated by pumps from canals, 19,500; and for that irrigated by pumps from rivers, 26,200. Pump-irrigated lands have a somewhat higher duty because they are generally better drained and therefore less salted and because the cost of pumping encourages economy in the use of water. As far as the Mission is aware, the problem of
312 raising the irrigation duty has not been systematically studied. The Mission recommends strongly that fields be set aside in each irrigation system for the purpose of determining through practical experimentation over a number of years the optimum quantity of water to be supplied to each crop. Such experiments should be carried out under the joint direction of the Agriculture and Irrigation Departments.

In the future it would be desirable to associate the landholders in each irrigation area as far as possible with the operation and maintenance of the irrigation system. Irrigation should be a truly
[476] cooperative venture. The Mission understands that councils of landowners already exist in some districts, notably along the Diyala, to assist irrigation officials in the distribution of water at times of shortage. Such councils might well be organized in all districts and with the broader function of advising on all problems of maintenance and distribution. They could sponsor the experi-

4,200,000 in 1947, 4,300,000 in 1948, and rose again to 6,000,000 in 1949. Actually, the Monopoly by no means fully enforced its announced policy of buying no more than the maximum amount that the licensed area could admissibly produce.* Its purchases exceeded the admissible maximum by about 400,000 kilos for the 1947 crop, 1,200,000 for the 1948 crop and as much as 3,300,000 for the 1949 crop. Much of the 1946, 1947 and 1948 crops evidently found their way into the black market. [illegible]

Because of the danger of growing stocks, the Director-General, supported by the Prime Minister, issued a warning in advance of the 1950 crop that in the future no more tobacco would be bought than could be produced on the licensed area. Evidently the Monopoly carried out this policy for, up to April 12, 1951, it had bought only 2,250,000 kilos from the 1950 crop out of a theoretical total of 3,200,000 kilos. Since the cultivators apparently did not take the government's declared intention seriously, the actual crop substantially exceeded the permissible total. However, farmers were apparently compelled to sell their surplus illicitly at very low prices, thus giving rise to an expectation that in the next years the limitation on production will be more generally observed. If so, it seems likely that farmers' receipts from tobacco will amount to between ID 600,000 and ID 700,000 per year at prevailing Monopoly prices.

In general, it can probably be said that farmers received more for their tobacco than they would have obtained in the absence of the Monopoly. Since the tobacco produced is generally poor and therefore is unable to find foreign outlets, it is likely that, in the absence of the Monopoly's price support and production control program, prices would have been substantially lower. At the same time, the farmers suffered from the earlier erratic policies of the Monopoly which permitted them to realize very high incomes during some of the war years and let them down suddenly immediately after the war.

Tobacco Monopoly Revenues

The government has undoubtedly enjoyed considerable income from the Monopoly. In any discussion of this subject a distinction [illegible]

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* The Monopoly has operated on the assumption that each licensed donum would produce up to a maximum of 200 kg. of tobacco.

5. International Bank [illegible]

must be made between (1) the actual cash income and cash expenditures of the Monopoly, which is of particular importance to the Treasury and (2) the Monopoly's accounting contribution to the budget. These two differ markedly, as is indicated below.

TABLE 3

CASH AND ACCOUNTING RESULTS OF THE TOBACCO MONOPOLY
(in dinars)

	Cash or Treasury Account			Contribution to the Budget
	Cash Income	Cash Expenditure	Balance	
Sept. 1, 1939–Mar. 31, 1946	[illegible]	[illegible]	[illegible]	[illegible]
1946-47	[illegible]	[illegible]	[illegible]	[illegible]
1947-48	[illegible]	[illegible]	[illegible]	[illegible]
1948-49	[illegible]	[illegible]	[illegible]	[illegible]
1949-50	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]

The accounting contribution to the budget is figured by (1) calculating the difference between cash income and cash expenditure realized by the Monopoly in its transactions in tobacco, tombak and cigarette paper, (2) adding or subtracting the net change in the value of the Monopoly's stocks during the year, and (3) adding sundry revenues from confiscated tobacco, license fees, storage, etc. Thus in 1946-47, the accounting contribution to the budget was large despite the cash deficit incurred by the Monopoly because stocks rose markedly. In 1948-49, on the other hand, the contribution to the budget was small in relation to the cash surplus of the Monopoly because stocks of tobacco and tombak during the year fell from 9,000,000 to 6,700,000 kilos. Finally, the contribution to the budget in 1949-50 was small because at the end of that year stocks were valued for the first time at purchase price instead of sales price as hitherto. As a result the valuation of stocks was substantially reduced despite the fact that the quantity of tobacco and tombak on hand had increased from 6,700,000 to 7,800,000 kilos.

By and large it certainly can be said that the Monopoly has yielded substantial revenues to the government. This revenue has

9. International Bank [illegible] (1952) 1952 [illegible] Iraq [illegible]

accrued despite rather inefficient operation because the Monopoly has consistently charged tobacco manufacturers prices two to two and a half times higher than those it paid for tobacco and it has been able to compel them to accept tobacco at the grade which it has specified, despite the marked deterioration of such tobacco in the Monopoly's warehouses. [illegible]

Recommendations

In the future the first concern should be improvements in the quality of tobacco. To accomplish this it would be desirable first of all to recruit abroad at least two or three experts on the growing of tobacco. These, assisted by a selected number of Iraqis, would work directly with the growers in a campaign to raise the standards of cultivation, picking and curing. In addition, a minimum of two leaf experts should be engaged to give instruction in the proper methods of grading or classifying tobacco. In order to provide a check on the work of the grading committees, the appointment of an expert buyer to approve all tobacco for final purchase by the Monopoly is recommended. He would presumably need to be a foreigner initially, but would have an Iraqi deputy who would be trained to take his place. In the warehouses, several experienced foremen-manipulators are needed to supervise and teach the staff correct methods of handling and storing the tobacco. The inadequate existing warehouses should be replaced with four to five new ones constructed of brick and concrete, equipped with dust extracting and humidifying plant and portable storage racks. Each of these new warehouses would have four floors, the first three devoted to storage and the fourth to manipulation. [illegible]

The Monopoly itself might be retained, principally because there will need to be some agency to limit production so long as the tobacco is not of such quality that it can readily be sold abroad. Moreover, the large number of small tobacco growers might otherwise be at the mercy of the merchants and manufacturers, who would have incomparably more bargaining power in the fixing of prices. It is suggested, however, that the Monopoly be reorganized into a financially autonomous agency with its own budget, its own accounts and its own funds. As an autonomous government enterprise it would be required to turn over annually to the Treasury [illegible]

1. International Bank R. 0-4 (1952) 1952 [illegible] Iraq [illegible]

the farmer to get a fairer share of the price and bring about greater price stability. Even if the merchants primarily used these facilities, the farmer would still benefit indirectly because more merchants would be financially able to compete for his products.

Grain stores are especially needed. Cotton can at present be stored at ginneries, and the Agricultural Bank is lending money on such cotton. Aside, however, from a 5,000 ton silo at Baghdad, which went into use with the 1951 harvest, the country possesses no modern grain storage facilities. The Grain Board which is charged with responsibility for storage projects is contemplating the construction of a 40,000 ton silo costing about ID 2,165,000 at Basra. This silo would primarily serve the export trade. It would be desirable to supplement these two with a number of smaller stores, less elaborately equipped and located nearer the centers of production. Such stores would afford necessary protection against grain pests and also help to mitigate the fear of famine which is ever present in a country with sharply fluctuating harvests. If equipped with simple cleaning plant they would help greatly to improve the quality of the grain. Grain threshed by hand according to the prevailing custom contains from 17 to 40 percent foreign matter and from 5 to 15 percent dirt. The number, location and size could only be determined after a thorough survey. It is not unlikely, however, that from 12 to 20 such stores with an individual capacity ranging from 2,000 to 5,000 tons and a total capacity of about 75,000 tons would be needed. For the most part they will not have to be mechanized and can consist basically of simple steel or concrete sheds. The total cost would probably not exceed ID 750,000.

Two possible obstacles to the actual utilization of grain storage facilities should be considered. There may be a disinclination to use them for fear of giving the government knowledge of such stocks and thereby exposing them to taxation. Much grain now escapes taxation. To encourage people to take advantage of the stores it may therefore be necessary to reduce substantially or abolish the *istihlak* tax which is a type of sales or turnover tax. Other reasons for abolishing or reducing this tax have already been advanced elsewhere.[14] Another difficulty in the way of using such

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[14] See the Mission's main report, p. 92.

International Bank [illegible] (1952) [illegible] Iraq [illegible]

storage facilities lies in the wide variation in the quality of the grain. Those with better quality grain may refuse to store it except under conditions which will ensure that it will be kept as a separate parcel. While this may be possible in the smaller, non-mechanized sheds, it will be impossible in the silos at Baghdad or Basra. There, however, it will be desirable at least to have means for weighing each parcel of grain after as well as before cleaning. At present there are no such facilities in the Baghdad silo and none are apparently contemplated for the Basra silo. Under such conditions there will be a premium on the storage of grain with a large percentage of foreign matter. Those with relatively clean grain harvested by machines will, on the other hand, refuse to use the silos. [illegible]

If credit is to be extended on grain stored in silos, there must be adequate supervision to insure the issuance of proper warehouse receipts and to prevent the release of any stored grain except against the surrender of such receipts. Presumably any new facilities would be owned and supervised by the Grain Board. This Board, however, would hardly be in the position to finance all the proposed additional facilities. In 1950 the International Bank was approached with respect to the financing of the Basra silo, but now that Iraq is assured ample sterling income from oil and only a small part of the necessary expenditures is likely to be in dollars, the government may consider it undesirable to contract a loan for this purpose. Financing by the Development Board would then appear to be the only alternative. The Grain Board might even have difficulty in financing the smaller storage facilities. Although its assets as of March 31, 1951, amounted to ID 1,122,960, over 30 percent or ID 325,113 consisted of "fixed assets" and another item of ID 497,222 designated as "sundry debtors" represented almost entirely a claim on the Treasury. Over [illegible] a number of years the government has levied a one percent tax on grain for the benefit of the Board but it has retained the proceeds provisionally for its own needs. As long as the ordinary budget remains tight, as is likely over the next few years, the government may find it difficult to convert this claim into cash. Under such circumstances the Development Board may find it necessary to give financial assistance for the smaller projects.

?; International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

paid in only ID 600,000 out of an authorized capital of ID 1,000,000. Its resources have to some extent been supplemented by borrowing ID 100,000 and ID 200,000 respectively from the Awqaf Administration and the National Bank. The Mission suggests, therefore, that the Development Board gradually supply the funds necessary to increase the Bank's capital by ID 3,000,000. The Bank would be authorized to use this sum for making loans to, and investments in, industry within the framework of an over-all program approved by the Development Board. 4.62 #37

The Bank's capital should be used primarily as a revolving fund. The Bank should generally dispose of its industrial shares whenever an enterprise becomes profitable and, therefore, capable of attracting more private capital. Profit-making assets should be kept only to the extent necessary to create a reserve against possible losses. While the Bank should presumably show a small profit to inspire confidence in its operations, it should not retain its participation in profit-making enterprises for the sake of maximizing its profits, particularly when this limits its ability to assist other industries.

The Bank at present is understaffed. The directors pass on projects without the benefit of expert assistance, and, as a result, some phases of a project may be completely overlooked. With a shortage of staff, the transaction of business with the Bank is also time-consuming and thus discourages applicants.

The Mission recommends that, first, the Bank's staff be both increased and strengthened and, second, that it be reorganized to give greater responsibility to the head of the Industrial Schemes Section who should be a properly qualified man with broad industrial experience. Members of the Industrial Schemes Section should have thorough training and practical experience in power and mechanical engineering with special reference to industrial planning and layout, and in operations, management and control of industry with special reference to cost accounting.

Promotion of Industry

The "Law for the Encouragement of Industry" enacted in 1929 was replaced by new legislation in 1950 which grants limited exemptions from income and surtaxes for four years; exemptions 4.57 #23 4.61

from import duties on machinery, material, equipment and spare parts; exemptions from property tax for 10 years; and use of rent-free government land not in excess of 25,000 square meters for a period of 10 years. Iraq-owned industrial enterprises can qualify for these benefits as long as they primarily use raw materials available in Iraq or produce goods imported in considerable quantities. Neither of these conditions is necessarily relevant to efficient production; and it is therefore suggested that the law be amended to stipulate that such benefits should be accorded only to enterprises which have a reasonable prospect of becoming efficient enough to withstand foreign competition.

Industry is protected in many cases by high import duties and in some cases, such as cotton yarn, beer and cement, by import prohibitions. Industrial enterprises have not so far taken full advantage of these restrictions, but if they should do so the demand for their products would undoubtedly diminish significantly.

Foreign competition is always a useful check on inefficiency. Its beneficial effects in bringing about lower production costs and a better product have been demonstrated many times in Iraq. For example, even industries protected by high tariffs have been forced to modernize in order to reduce costs and meet competition. To attempt to shut out foreign competition will, in general, retard, rather than foster, industrial growth. In some cases, it is true, new industries may need protection during the early years of operation. Protection should not, however, be allowed to become a permanent shield for inefficiency; as experience is acquired and production costs are stabilized, protective measures should be greatly reduced.

In a country like Iraq where the limited market affords opportunities for only one or two plants in certain fields, there is an acute danger of monopoly and attendant high prices. This danger is aggravated further by a tendency in some industries to emphasize limited production with high profits per unit rather than mass production with lower unit-profits. Foreign competition would appear to be the proper means of restraining trends toward monopoly within a particular field, just as it operates to stimulate modernization in plants suffering from high costs because of obsolete methods.

36.1 447 have been newly constructed do not appear at all on the records of the Planning Office. The Mission, in fact, found that many major details of developments such as civic centers, markets and the like, either were not shown in the plans or were contrary to the plans as prepared and filed. There were also instances where planned projects under construction were suddenly changed or stopped by a new mayor on his assuming office.

Cooperation of the central government with the local authorities has also been noticeably lacking. The Ministry of Education, without consultation with local officials, prepares school plans, showing not only the details of structures but also their location and distribution. Likewise, the Ministry of Social Affairs, without reference to local administration, prepares plans for hospitals, clinics, social centers, and housing schemes which form definite parts of the community. And, in similar fashion, the Ministry of Communications and Public Works prepares many plans for public works such as bridges, national highways and streets, and government structures designating details not only of construction but also of alignment, orientation and location. All these specialized planning activities are carried on with little or no coordination with the Planning Office in the Ministry of Interior. Even in Baghdad, where better cooperation between the municipality and the various government departments might be expected, a large school building was recently completed, abutting on a busy major thoroughfare, the proximity of which was dangerous for school children. The location was approved despite objections by the Planning Office.

Financial Difficulties

36.1 4.47 [illegible] Financial difficulties have contributed to the failure of the municipalities to plan more effectively. A large part of their revenues, which are in any case small, is derived from a share in the petrol and property taxes, the proceeds of which are handed over to the central government and, in theory at least, reallocated to the provincial and municipal governments. In years of financial stringency, however, the government has withheld a large part of these taxes for itself.

For capital funds, the municipalities have to rely on occasional loans—or, in rare cases, grants—from the central govern-

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Shia tribes sent less and less of their men to rally to the 173 Muntafiq standard, and the tribal cavalry consisted of paid retainers of the ruling house. There were, it is true, occasional differences between the Sadun and the Turks, as when the powerful Sadun Pasha was at loggerheads with the Wali of Basra.

The Confederation is a thing of the past, and its Shia 619 tribesmen now owe loyalty only to their own tribal sheikhs, and above them to the Government of Iraq. It is touching to find in some remote reed hut carefully tended pictures of King Feisal and of His Royal Highness the Regent. The tribes had their greatest glory in the days when the country was under foreign domination, when they were the rallying-points of the resistance which prevented the absorption of Iraq into either Turkey or Persia. In a democratic state the position of the tribes is less clear. There is much that is fine in tribal life and worth preserving at all costs, and a tribal loyalty need not necessarily interfere with modern progress. For example, numbers of tribesmen from all over Iraq now live in the 963 capital, working in various jobs, as artisans and labourers, 64 lawyers, doctors and engineers. In this generation a boy 365 may be born in a tribal reed hut, and if intelligent finish up as a doctor in Baghdad. All these emigrants from the tribes maintain close contact with their tribes, usually by way of entertaining tribesmen on their visits to the city. When a sheikh makes a levy, for some purpose, of a dirham [51] from the head of every family in his tribe, the emigrants are the first to send in their money; though they may be wealthy doctors driving American saloon cars, they send in the exact dirham along with the labourers and artisans. To send more would savour of ostentation.

Life in the tribes is changing year by year. The pumping

539 beauty is reserved to carpets only, nor do women have any share of it, for women are all alike. They have hair as black as a spider's legs, a pair of eyes similar to the eyes of a dog, mouths like monkeys' mouths, breasts like the udders of a water buffalo, and their skin is the colour of mud. How, then, can a man love a woman? But you, dear carpet, are of many gay colours, you have the colour of red roses, the blue of the morning sky, the green of young grass, and the yellow sheen of gold. What is more, you have the precious gift of silence, nor do you speak in shrill tones as do the cats when they fight in the moonlight. And that night and on the next night and on every night Khalid rolled up the carpet and took it with him to bed, nor did he speak to his wife. And as for Khalda, she thought: Unhappy is my lot, for I am married to a madman.

539 .451 Now, let it be known to you that in those days the Turkish Governor of Basra kept a spy at Baghdad, that he might receive information and warning that he be not surprised by his superiors, for truly the revenue of Basra was great, and the Governor took more than three quarters of it for himself and for the expenses of his house and the remainder he sent to Baghdad, saying: Basra i but a poor city.

539 One day the Governor received a letter from his spy at Baghdad, and the letter read as follows:

O honoured and respected Governor, Let it be known to you that through the exercise of my secret trade I have discovered that a spy has been sent to Basra, and he ha been ordered to report on your administration, and on th several revenues of the City. And as for his name, I know it not, and even if I knew it, then it would be of no value for he would change it. But he is said to be such a man a

'539 ONCE in the days of the Ottomans there lived in Baghdad a man of an ancient and noble family named Sheikh Misril el Qurnachi, and he lived [T 651 720] in a great house by the banks of the Tigris. Yet his estates had been reduced by the taxation and oppression of the Ottomans, and his crops spoiled by locust and by flood until he was reduced to poverty.

So he lived in his house with his only daughter without a single servant or a single slave, nor was there any furniture or silver left in his house, for he had sold all to buy [923] food. Yet the house he could not sell, for it would be shameful for him to do so, since it was the house of his ancestors.

The name of his daughter was Nura. She was in the [303] seventeenth year of her life, yet none had asked for her in marriage, for since there were no servant girls to gossip about her beauty, the boys of great and noble families had not even heard of her. Else surely their sleep would have been troubled by her description, for her hair was as black as the Shatt el Arab on a clear winter's night, and her eyes were as the stars which glisten in its waters, her skin was as golden as the desert sand when tinged by the first rosy red rays of dawn, her back was as supple as the reeds before the wind, and her thighs and breasts had the softness of the feather quilt which allures the tired traveller.

So one day Nura went to her father and she said to him: O my beloved father, my state is thus and thus. Shall I be forever a cook in your household or shall I be the mother of noble sons? And Sheikh Misril grieved much at the words of his daughter, and his heart was sad. And on the nights of the full moon Nura would go out on the roof of their great house, and speak to the moon and ask the question:

874 ies in agricultural areas. Foreign advisers and instructors are being extensively employed. *Commercial*: secondary commercial schools in Baghdad, Mosul, Najaf, with night classes in Baghdad and Najaf. Commercial classes have been introduced into the ordinary secondary school curriculum in various cities. *Nursing and Domestic Science*: Schools of Domestic Science, Nursing, Midwifery in Baghdad. It has been proposed that instruction in the state vocational schools should be of such a standard that graduates could proceed at once to the relevant higher institutions. Other vocational establishments are the Iraq State Railways workshop training school in Baghdad and the IPC's technical training centre in Kirkuk.

873 An Institute of Fine Arts in Baghdad gives instruction in music, painting, sculpture, and drama and trains teachers in most of these subjects.

873 217 *Department of Antiquities*. The Department of Antiquities maintains an extensive programme of excavation, restoration, research and publication and has gained recognition for its work in international academic circles. It controls five museums in Baghdad, one each at Samarra and Babylon, and has recently opened one in Mosul.

ECONOMIC SURVEY

651 927 423 The greater part of Iraq's national revenue will soon be drawn from her oil, which represents an important fraction of the world's supply. The general economic organization is nevertheless agronomic. Agriculture and animal husbandry practically suffice for her internal requirements of foodstuffs and provide, after oil, most of her exports.

135 Apart from oil, raw materials are sparse. There are deposits of salt, low-grade bituminous coal, gypsum, and sulphur and, in more limited quantities, of potassium nitrate, crystal quartz, sandstone, and dolomite. Building stone is found only in the hill districts; in the alluvial plain mud and reeds are the common building materials of the poor, but houses of locally made burnt bricks are common in the towns. 357 360

185 652 511 In 1950 a Development Board was established with the function of drawing up and, after parliamentary approval, executing a general economic and financial plan for developing the country's resources and raising the standard of living. It was to include but not be limited to projects for water conservancy, flood control, irrigation, drainage, industry, mining, and improvement of river, land, and air communications. For the execution of its programmes the Board has been allocated 70 per

491 the main roads Baghdad–Kut–Amara–Basra and Baghdad–Kirkuk–Arbil–Mosul, which are at present unmetalled or only partially metalled. The Development Board has allocated nearly ID[illegible] million to these projects.

493 494 Road traffic is light. At the beginning of 1953 the number of registered motor vehicles was given as follows, most of them operating in or around the larger towns: private cars 8,000; taxis 3,500; buses 2,500; lorries 6,500; motor cycles 1,500. In Baghdad an efficient bus service is operated by a State Passenger Transport Board. A private trans-desert bus service links Baghdad with Damascus, and there are private bus services between Iraq and Persia.

504 505 *Basra Port*,[1] lying some eighty miles up the Shatt al-Arab from the Persian Gulf, is the only commercial port of Iraq; an oil port is being constructed at Fao, near the mouth of the Shatt. A small port established during the Second World War at Umm Qasr, on a sea inlet south of the Shatt al-Arab entrance, has since been dismantled. The authority of the Port, which is controlled by a special department of the Iraq Government, extends from the outer bar of the Shatt to a point seventeen miles above the town of Basra. The Shatt is sufficiently deep to admit large ocean-going vessels, but the Fao bar at its mouth requires constant dredging to clear an entrance for the larger of them. During the Second World War extensions were carried out in view of the increased volume of traffic; in consequence there are now 2,700 feet of continuous jetty, providing berthing for eight large vessels at a time and two or three smaller ones, in addition to barge and lighterage berths. Basra Port handles a large proportion of the country's trade. During 1952 some 900 ocean-going vessels, with a net registered tonnage of [illegible], and some [illegible] tankers and water-carriers, with a net registered tonnage of [illegible], were handled by the Port Authority at Basra, Fao, Abadan, and Khorramshahr. During the financial year 1951–2 cargo imported at Basra totalled [illegible] tons and cargo exported [illegible] tons. The closure of Abadan has occasioned the Port a severe loss of revenue, estimated at ID100,000 a month; port and dredging facilities have nevertheless been maintained. [illegible]

522 *Inland Waterways.* The Tigris between Basra and Baghdad is navigable for vessels of up to four feet draught from February to August except for short flood periods in April and May in some years; during the remaining five months navigation is impeded for long periods. Inland water transport has lost much of its former importance. The last remaining regular navigation

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[1] See *Port of Basrah*, official publication of the Port Authority.

[illegible] has nevertheless been lost and although the situation has been partly restored, business is still less active than formerly. [illegible]

Banking deposits in December of 1938, 1946, and subsequent years have been as follows (ID):

Year	Current Accounts	Fixed Deposits	Savings Deposits	Total
1938	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* From [illegible] onwards the fixed deposit item includes previously excluded Government accounts.

(Source: Reports of National Bank of Iraq, [illegible])

Currency. The currency of Iraq is based on sterling and its unit, the Iraqi dinar (ID), is equivalent to £1 sterling and is divided into 1,000 fils (singular also 'fils'). This currency replaced in [illegible] the Indian currency which had been in circulation under the Mandate, and was issued and administered by an Iraq Currency Board, sitting in London, until 1 July [illegible], when the National Bank of Iraq took over the functions of the Board and put its own notes into circulation. [illegible]

The circulation of currency, which in August [illegible] stood at ID[illegible], increased during the war to ID[illegible] in September [illegible]. It has since, with some fluctuation, declined and in October [illegible] was ID[illegible] million.

Public Finance

Immediately before the Second World War the total state revenues amounted to some [illegible] million dinars. During and after the war there was a steep rise in expenditure: in [illegible] the expenditure had increased to ID[illegible] million, in [illegible] to ID[illegible] million, and in [illegible], the year of the Palestine conflict, to ID[illegible] million, after which it has declined slightly. Loans were raised to meet the consequent deficit, which a considerable increase in taxes and duties were insufficient to prevent and which in [illegible] had risen to ID[illegible] million. A contributory factor was the closure of the Haifa oil pipeline in that year, but in [illegible] and [illegible] the construction of a new pipeline to Tripoli more than made up the loss. In [illegible], with increased revenue and a drop in expenditure, the budget showed a surplus for the first time in seven years, amounting to ID[illegible] million. The expansion of oil revenue has been accompanied by [illegible] [illegible] increased exportation, made possible by the construction of a new and larger pipeline and by the equal profit-sharing terms of the 1952 oil agreement, retroactive from 1 January 1951. Oil royalties have consequently become the major factor in Iraq's finances: in 1952 they exceeded the total state income of any year prior to 1950, and by 1955 will be almost twice as great as in 1952.[1] By law 70 per cent of these are assigned for capital works to the Development Board whose budget is approved by Parliament independently of the Ordinary Budget;[2] the remaining 30 per cent of the oil revenues are assigned to the Ordinary Budget for the regular operational expenses of the state. Until recently the state income depended mainly on taxation—income tax, import and export duties, taxes on agricultural and animal products, property tax, excise duties on alcohol, salt, tobacco, and petroleum products, and various stamp duties, a successive increase in most of which, particularly the indirect taxes, has characterized financial legislation throughout. With the recent expansion of oil revenues, the Government has halted the steady increase in a number of these taxes and has in some cases reduced them or is considering their reduction. At the same time state foreign debts and advances, formerly an accepted aid to balancing the budget, have been liquidated, and domestic loans have become a remote remedy of reducing currency circulation and avoiding the effect of inflated state expenditure on the general economic and financial position.

The rapid increase in revenue has further encouraged greater expenditure on health, social and educational services and added to officials in the form of further increases in salaries, allowances and pensions, free medical treatment and other privileges and facilities. There is in fact a possible choice in the disposal of the vastly augmented state income: whether to employ it for such immediately effective measures of welfare and alleviation, which are admittedly needed and would, if reduction were avoided, gain popularity for the Government; or to devote it mainly to major capital works, whose benefits, if longer in appearing, would be securely based on a co-ordinated national economy and remain intact even if oil revenues were for any reason diminished or interrupted or cut off completely. Official policy and enlightened public opinion are committed firmly to the latter course.

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[1] See above, p. [illegible].

[2] [illegible]

[illegible] D-4 ([illegible]) [illegible] [illegible]
[illegible]

[Marsh Arabs]

[illegible] erable skill to navigate. They are capable of great speed and are driven either by a sail or by oars as the occasion requires. To a stranger they seem very unstable, but the Marsh Arab, who has practically lived in them ever since he was a baby, finds them abundantly stable and perfectly safe.

342 From a distance the houses occupied by these people are very picturesque. The reeds that grow in great abundance in the marshes of Lower Mesopotamia are gathered and when dry are tied in great bundles perhaps two feet in diameter. They are ten to fifteen feet tall or even more, and two bundles tied together at the tops are bent over to form an arch. Each of these arches forms one of the ribs of the house. They are placed every four to six feet, giving an air of solidity and dignity to the structure that is most unusual for this sort of simple architecture. Over these ribs a mat roof is constructed which is surprisingly tight even in the heaviest rains. The houses vary in size, and the largest ones, which serve as guest halls for the sheikhs and the rich, may be seventy-five feet long and twenty feet broad.

[illegible] [illegible] This agricultural district is peculiar in that while it has a settled community engaged in agricultural pursuits, there is no private ownership of land. The Marsh Arabs form a group almost untouched by Europeans. In the one district we visited all land is owned by the government, in this case a sheikh far removed from the district. [illegible] [illegible] [illegible] The only tax that he levies is a moderate rental for the land. Apparently there is little difficulty in getting land; at least no one complained of any trouble of that sort, nor does there seem to be any difficulty in keeping the same plot of land indefinitely if the cultivator wishes to do so. [illegible] The local governor is an efficient and more or less benevo-

LAND TENURE

Out of this 50 per cent the fellah must also pay a cost for the upkeep of the canals which irrigate the holding; this may amount to [illegible] per cent of his share.

At the beginning of the season the fellah receives in advance from the employer:

	Dinars
[illegible] kg. wheat	[illegible]
[illegible] kg. barley	[illegible]
Cash in 3 instalments	[illegible]
	[illegible]
Seasonal interest 30 per cent	[illegible]
Total	[illegible]

1 Dinar = £1 sterling

He is not as a rule able to repay the loans from the sale of the produce, and so gets deeper and deeper into debt to the landowner. Thus there has evolved a particular kind of debt-serfdom: a landowner who entices fellahs from one estate can pay an advance to a whole village or several villages, and so obtain the right to demand the transference of the local workers thus "freed" from their debts to his lands.[1]

Changes in taxation have also benefited the big landowners. To promote the expansion of pump irrigation, land irrigated with pumps was partially exempted from taxation. The reform of taxation under the Istihlak law of [illegible] has also operated mainly to the advantage of the large landowners.[2]

Thus the former tribesman in Iraq has been reduced to the position of a serf-tenant, who is entangled in crushing indebtedness, and so is tied to the holding which he cultivates.

In spite of the wise recommendations of Sir Ernest Dowson's report, and the advisory efforts of British officials to improve the security of the small cultivator, it cannot be said that land settlement has succeeded in removing the oppressive character of the land system. Nor has any reform been made to permit the development of State land.

As regards water-rights, there is the same situation as in Palestine and Transjordan; attempts at legislation have been frustrated by local interests, and here the need for legislation is

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[1] [illegible]

[2] [illegible]

[illegible] OF THE MIDDLE EAST

[illegible]

[illegible]

[illegible]

DEVELOPMENT PROGRAM

[illegible]

[illegible]

FINANCING

[illegible]

Project	[illegible]
Flood control, irrigation, and drainage	[illegible]
Industry	[illegible]
Transport and communication	[illegible]
Community facilities	[illegible]
Agriculture and forestry	[illegible]
Education	[illegible]
Public health	[illegible]
Development Board administration, studies, etc.	[illegible]
Miscellaneous expenditures	[illegible]
	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

AGRICULTURE

[illegible]

[illegible]

[illegible]

[illegible] 657 185

[illegible]

[illegible] 657 382 185 971

[illegible]

[illegible] 657 185 362

[illegible]

[illegible] 185 657

[illegible]

64: Shwadran S-4 (no date) 1955 MI Middle East
IRAQ [illegible]

ican group, each 23 3/4 per cent, and S. C. Gulbenkian, 5 per cent. The American group, composed of five companies, was organized in February 1928 as the Near East Development Corporation; of the seven original companies, Sinclair and Texas withdrew.[10] Subsequently, the name of the Turkish Petroleum Company was changed to Iraq Petroleum Company.[11]

Iraq Petroleum Concession

According to the agreement, the Iraq Petroleum Company was to choose 24 plots, each eight square miles, and the Government of Iraq was to offer the remaining territory for competitive bidding.[12] Instead, a new agreement was signed on March 24, 1931. The new concession gave the Company the sole right to exploit all lands situated to the east of the Tigris River, covering an area of 32,000 square miles. The Company was to construct a pipeline with a total capacity of not less than 3,000,000 tons per annum. Royalties to be paid to Iraq were four

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[10] A few years later Gulf, Atlantic and Mexican sold their interests to Standard Oil of N.J. and Standard Oil of N.Y.; the latter became Socony-Vacuum Oil Co. in 1931.

[11] The prolonged negotiations between the U.S. and Great Britain regarding the rights of American nationals in Iraq were finally formalized in a treaty signed on Jan. 9, 1930. Art 2 provided: "The United States and its nationals shall have and enjoy all the rights and benefits secured . . . to members of the League of Nations and their nationals, notwithstanding the fact that the United States is not a member of the League of Nations." *Rights of the United States of America and of Its Nationals in Iraq, Convention and Protocol between the United States of America, and Great Britain and Iraq,* (Treaty Series No. 835, Washington, 1931), 2.

[12] Under the Mar. 14, 1925 convention, T.P.C. was to make its selection within thirty-two months from the date of the convention, and the Iraq Government was to make its selection of 24 plots, to be offered for competition by sealed bids, within four years. Selection by the Company was therefore to have taken place by Nov. 1927, and the Government's selection by Mar., 1929. Instead, the Company asked for more time, and in Aug. 1927 the Iraq Government granted a year's extension. In May 1928 the Company sought a further extension.

In the meantime, an independent British-Italian syndicate, the British Oil Development Co. (B.O.D.), approached King Faisal to obtain oil leases outside the 24 plots selected by T.P.C., for which it would build a railway from Iraq to the Mediterranean. To counter this, T.P.C. offered to make a survey for the pipeline and a railway to the Mediterranean if it were granted a two-year extension. At the same time, the Company was also negotiating for a modification of the 1925 concession.

Discussions for modification took place in June 1929, while the Company prepared to make a tentative selection of its plots to comply with the provisions of the agreement and thus obviate the necessity of getting a time extension. In 1931 the revised concession was signed. U. S. Senate, *International Petroleum Cartel,* 68-70.

6d: Shwadran 3-4 (no date) 1955 ME Middle East
[illegible]

shillings (gold) per metric ton, with a minimum required payment of £400,000 (gold) for the first twenty years beginning with the first exports. Until the commencement of export, the Company was to pay the Government the same sum, of £400,000 (gold) annually, of which half, £200,000, would be recoverable by the Company from future royalties in excess of £400,000, while £200,000 was to be dead rent. The Company was exempt from taxation in consideration of yearly payments to the Government of £9,000 (gold) up to the time of commercial export, and thereafter £60,000 (gold) on the first 4,000,000 tons produced and pro rata, and £20,000 (gold) on each additional million metric tons produced and pro rata.[30]

The Mosul Petroleum Company Concession

That the British had never meant to abide by the system of subleasing and the provision eliminating the Turkish Petroleum Company as a bidder at public auctions (a provision inserted in the concession simply to meet the stubborn insistence of the State Department),[31] was evidenced not only from the negotiations leading up to the revised agreement of March 24, 1931, but also from the negotiations carried on by the British Oil Development Company for concessions in the rest of the area. When the Iraq Government was about to begin negotiations with B.O.D., Secretary of State Henry L. Stimson instructed Charles Dawes, the American Ambassador to Great Britain, in the middle of April 1931, to remind the British Foreign Office that according to the tripartite convention of January 9, 1930, the Government of Iraq was not to grant a concession covering any of the oil lands in question without affording Americans, individuals and corporations, an equal opportunity to bid, and that the United States expected the British Government to intervene with the Iraq Government to protect their rights. The British Government replied on July 17, 1931 that while it had brought the views of the United States to the attention of the Iraq Government, it took the position that the provisions of the tripartite treaty barred discrimination between

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[30] Special Report, [illegible] [illegible], 1931; F.R.U.S., [illegible], 1931.

[31] See above, Chap. [illegible], footnote [illegible]; also footnote [illegible] of this chapter.

64: Shwadran [illegible] 1955 [illegible]
[illegible]

the different nationals when bids were up, but that there was no obligation on the part of the Iraq Government to put every concession up for public tender before granting it. However, to meet the objections of the United States, the Iraqi Government went through the motions of accepting bids/tenders for the concession of oil-bearing fields in the rest of the country, and at the end of 1931 announced that since the bid made by the British Oil Development Company was the best, the others had been rejected.

On April 20, 1932, the British Oil Development Company obtained a 75-year concession covering all the lands in the vilayets of Mosul and Baghdad west of the Tigris River and north of the 33rd parallel (about 46,000 square miles). Until commercial quantities of oil were found, B.O.D. was to pay dead rent: £100,000 (gold) in 1933, increasing this by £25,000 (gold) annually up to £200,000. It was to construct a pipeline with a minimum annual capacity of 1,000,000 tons, or to make arrangements for the transfer for export of that minimum quantity. The Iraq Government was entitled to take, free of charge, up to 20 per cent of the oil for local consumption and for resale to the Company. Royalties were to be four shillings (gold) per metric ton; the Company was to be tax exempt in consideration of £[illegible] paid to the Government annually until commercial production, and then to be the same as that paid by the Iraq Petroleum Company. Two years later this concession was transferred to the Mosul Petroleum Company, a subsidiary of the Iraq Petroleum Company.

Foreign Relations, 1931, II, [illegible].

Ibid., [illegible].

Great Britain, Foreign Office, *Report by His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland to the Council of the League of Nations on the Administration of Iraq for the period January to October, 1932* (London, 1933), [illegible].

In Nov. 1932 the Mosul Oil Fields, Ltd., with British, Italian, German, Dutch, French-Swiss and Iraqi holdings, was organized for the purpose of acquiring the share capital of the British Oil Development Co. In 1936, the Italians became the majority shareholders, with a [illegible] per cent interest. In order to acquire control over the British Oil Development Co., the Mosul Holdings, Ltd., a subsidiary of the Iraq Petroleum Co., was registered in 1936 for the purpose of acquiring the shares of Mosul Oil Fields. By 1937 the Iraq Petroleum Co. [illegible] and in 1941 Mosul Holdings [illegible] the Mosul Petroleum Co. [illegible] received the assignment from the British Oil Development Co. of its 1932 concession. Stephen Hemsley Longrigg, *Oil in the Middle East* ([illegible], 1954), [illegible]; [illegible]

[illegible] Shwadran [illegible] 1959 [illegible] Middle East
[illegible]

the Anglo-Iranian Oil Company, was more interested in expanding production in Iran than in Iraq. The French, on their part, while agreeing with this argument, feared an additional curtailment of Iraqi production—their major supply—if the participating American companies were permitted to enter into other oil undertakings in the area. To the French, therefore, the Red Line Agreement was a guarantee, because of the limitations it placed on the American companies, of a steady, and even of an increased, supply of oil from Iraq.

The Iraqis were dissatisfied with the royalties they were receiving; nor were they satisfied with the number of their nationals in the higher positions of oil production operations. They complained of the lack of training facilities for Iraqis for the conduct of the industry. A constant source of irritation between the Government and the Company was the lack of refining facilities in the country. Another issue, of a technical nature, was the evaluation of gold shillings paid in royalties. Difficulties developed when the Company's second payment fell due in January 1932, after the British pound went off the gold standard. A temporary arrangement, without prejudice to either party, was made after Premier Nuri as-Said Pasha went to London and discussed the issue with the Company; Iraq was paid £[illegible] instead of the £[illegible] provided by the agreement. Subsequently, it was agreed that payments be made in sterling at the current price of gold.[illegible] Later a serious difference arose as to the interpretation of the "current price of gold." The Company maintained that the gold shilling must be based on the official London rate of exchange of gold, while the Iraqis argued that it should be based on the free market value, which was, of course, considerably higher.

Against the Iraqis' contention that production was being artificially kept down by the Company, the latter argued that the relatively low rate of production of Iraq oil was due to transport difficulties; that the Company was investing huge sums for pipelines, but the process of building the pipelines was conditioned by the exigencies of war which limited the supply of steel. It pointed out that immediately after the war, in spite of a serious steel shortage, the parallel 16-inch pipelines to Haifa and Tripoli had been built, alongside the existing

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[illegible] Survey of International Affairs [illegible]

[illegible]

12-inch lines, but that Iraq's refusal to allow the oil to flow to Haifa (Israel) had cut down production to practically half the potentialities of the pipelines.

In the middle of [illegible]—despite the fact that the original concession provided that only after [illegible] should royalty payments be reconsidered—the Iraq Government asked I.P.C. for an increase in royalties. After prolonged negotiations, the Government announced, on November [illegible], [illegible], that the discussions with the Company had resulted in an increase from four to six shillings (gold) per metric ton of oil. No agreement could be reached, however, on the question of the gold evaluation of the shilling, and the Iraq Government decided to take the issue to court.

Two important events which had occurred in the meantime completely upset Iraq's royalty increase and necessitated a different arrangement based on the new realities in the Middle East. Early in [illegible], Saudi Arabia signed an agreement with Aramco replacing its existing royalty payment with a 50-50 profit-sharing arrangement (to be dealt with in the next section), and agitation in Iran against the Anglo-Iranian Oil Company culminated in the nationalization of that country's oil industry in April.

Two weeks after the nationalization of oil in Iran, Premier Nuri Said, addressing the Finance Committee of the House of Deputies, threatened the oil companies that if they did not meet Iraq's demands for higher royalties—equal to those paid to Saudi Arabia and Iran, and payment in the value of gold on a free market basis—they might lose their concessions.

It would appear that this threat was the result of a deadlock in negotiations, and was an effort to intimidate the oil companies in view of the agitation by some political parties for the nationalization of the oil industry. It apparently attained its objective, for on the following day the Iraq Government announced in Baghdad that the companies had agreed to increase royalties to levels similar to those received by neighboring countries, and that negotiations for a detailed agreement were to begin immediately. At the end of May, Nuri Said announced in the House that the Iraq Government and I.P.C. had agreed in principle on a new level of royalty payments; this was confirmed by the Company in London at the end of July.

A hitch, however, developed when the Iraqi representatives

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insisted on, and the Company refused to agree to, the insertion of a clause providing for the reopening of the contract to adjust royalty payments to any changes in the neighboring countries. Finally, on August 13, 1951, it was announced that I.P.C. and its subsidiaries had reached agreement with the Iraq Government; on February 3, 1952, the new agreement was signed. It was approved by the Chamber of Deputies on the 14th, and by the Senate on the 17th.

Agreement Provisions

The major provisions of the agreement and its enclosures were:

1. The Government to share on a fifty-fifty basis in the profits resulting from the operations of the companies before deduction of taxes. In addition, each of the companies to pay annually £20,000 for its concessions (Arts. 2 and 3).

2. Should the Government so decide, it could take in kind up to 12.5 per cent of the net production of each of the companies as part of its share of the profits and dispose of it in the open market or sell it back to the companies at current world prices (Art. 4).

3. The companies to guarantee the Government's share in each calendar year to be not less than 25 per cent of the net production value at posted prices of the Iraq Petroleum Company and the Mosul Petroleum Company, and 33⅓ per cent of the Basrah Petroleum Company (Art. 6).

4. The Iraq Petroleum Company to guarantee a production minimum of 22.5 million tons of crude oil annually beginning January 1, 1955; the Mosul Petroleum Company to guarantee an annual minimum of 1.25 million tons beginning January 1, 1955; and the Basrah Petroleum Company to guarantee an annual minimum of 8 million tons beginning January 1, 1956. These guarantees to be effective for the life of the concessions (Art. 7).

5. All the companies jointly and severally to guarantee that the Government's share be not less than £20 million annually for the years 1953 and 1954, and not less than £25 million for 1955 and each year thereafter (Art. 8).

6. The agreement, signed in the name of the Government by Dhiya Ja'far, Minister of Economics, and for the companies by Herbert Stephen Gibson, Managing Director, was drawn up both in Arabic and English, both to be equally valid but in the event of discrepancies between the two, English text to prevail (Art. 13).

7. The companies to supply the Government refineries with

477 all the crude oil necessary for local consumption at 5.5 shillings per ton.

348 8. If, in future agreements between oil companies and neighboring Near Eastern countries, royalties were increased,

661 Iraq to have the right to request similar increases.

9. Each of the three companies to appoint two Iraqi directors.

[914] 10. The companies to send at their own expense fifty Iraqi students annually to British universities for specialized studies in the oil industry, and I.P.C. to establish a school in Kirkuk to train Iraqi workers.

11. Should production be halted because of *force majeure* or "an act of God," the companies to pay the Government a minimum of £5 million a year for two years.[8]

With the signing of the new agreements, Iraq entered a new era. The complete shutdown of the Iranian oil sources, combined with the terms of the new agreements, increased production beyond normal proportions and made the oil revenue a decisive factor in the development of Iraq. Oil production in 1952 jumped to 18,[illegible] tons, in 1953 to 27,[illegible] tons, and in 1954, to 29,[illegible] tons, considerably above the estimates of the agreements. Royalty income in 1951 was £15,700,000, and in 1952 £33,000,000, plus the £5,000,000 paid in settlement of past claims; in 1953 it jumped to £51,400,000, and to £68,300,000 in 1954.[9]

477 The expansion in production was in all three areas. The

348 Kirkuk field (I.P.C.) produced 15,[illegible] tons in 1952, and 22,[illegible] tons in 1953 and 23,[illegible] tons in 1954. The Zubair field (B.P.C.) produced 2,[illegible] tons in 1952 and 3,0[illegible] tons in 1953, and together with the new field Rumaila produced 4,[illegible] tons in 1954. The Ain Zalah field[10]

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[8] Iraq Petroleum Company Ltd., Mosul Petroleum Company Ltd., Basrah Petroleum Company Ltd., Agreement with the Government of Iraq, Made on the Third Day of February, 1952, Together with Law No. 4 of 1952 Ratifying the Agreement (English and Arabic Texts); Iraq Oil in 1951, 18-19. The companies also agreed to pay a lump sum of £5 million in settlement of past [illegible]. United Nations, Dept. of Economic Affairs, Summary of Recent Economic Developments in the Middle East 1950-1951 (New York, 1952), [illegible]. Hereinafter cited U.N., Summary 1950-1951.

[9] U.N. Summary 1951-52, [illegible]; U.N. Department of Economic and Social Affairs, Economic Developments in the Middle East, 1945 to 1954 (New York, 1955), [illegible], hereinafter cited U.N. Economic Developments 1945 to 1954; "Oil and Social Change in the Middle East," The Economist, CLXXVI, [illegible] July 2, 1955.

[10] Ain Zalah, which is in the Mosul area and is operated by the Mosul Petroleum Co., was developed in 1939, but early in 1952, [illegible] of the [illegible] operations were suspended; [illegible] resumed in 1952, after the completion of the pipeline from the field [illegible] on the Kirkuk-Mediterranean pipeline [illegible]. Iraq Oil in 1952, [illegible].

industrial and handicraft production, but most of these were employed in small undertakings, with only about 1,000 working in what might be classified as modern industrial plants.[37] The United Nations reported in 1951 that industry continued to play a very minor part in the Iraqi economy and that the gross output was estimated at not more than ID 1,000,000.[38] 4.3

2.10 The general industrial and economic situation could perhaps be gauged by the consumption of oil and oil products, especially since the country had these supplies in such abundance. In 1929, internal oil consumption, including refinery needs, was 70,000 metric tons; in 1937 it had risen to 170,000 tons, but in 1950 it was only 821,000 tons. Excluding refinery needs, consumption in 1937 was only 89,000 tons; in 1949, 513,000; in 1950, 615,000; in 1951, 631,000; and in 1952, 690,000.[39]

6.1 The level of civic responsibility and national consciousness 6.3 is illustrated by the taxpaying practices of the Iraqis. The first income tax law was enacted in 1927, but not before considerable modifications had been made and a long time had elapsed did the Government begin to receive any substantial revenue. The following table shows the annual revenue from income tax, the total revenue, and the percentage of income taxes in the total revenue.

Table IX. *Iraq, Percentage of Income Tax to Total Revenue*

Year	*Income Tax (in I.D.)*	*Total Revenue (in I.D.)*	*Percentage*
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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[37] International Bank, Iraq Mission Report, p. [illegible]

[38] United Nations, [illegible]

[39] [illegible]

[40] [illegible]

64: Shwadran [illegible] 1955 [illegible] Middle East
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[illegible] The methods of collection reveal the attitude of the general public to personal taxes. In 1947 the total number of individuals who paid income taxes were [illegible]; two-thirds of these were Government employees, ten per cent were from [illegible] selected groups.[illegible]

[illegible] These random facts about Iraq and its population indicate, on the one hand, a low standard of living and general underdevelopment; and on the other hand, excellent potentialities for expansion and improvement in agriculture and industry. The importance of the income from oil and its utilization for capital improvements were realized from the very beginning. In 1931 the Five Year Capital Works Program was enacted in order to hypothecate the revenues from advance oil royalties and dead rent. The monies earmarked for the Capital Development Works Scheme Account were never, however, completely used for capital works projects, and from time to time the Government used the funds to cover the accumulated deficit.[illegible] The Iraqi Parliament subsequently adopted two yearly budgets, ordinary and extraordinary.[illegible] The latter, for development schemes, was derived mainly from oil revenues and income from the Iraq Currency Board, but its revenues were frequently diverted to other than the intended purposes.[illegible]

The various Iraqi governments—as a rule they had a high frequency of change and a low rate of duration—not only realized the importance of the oil revenue to the general development of the country, but also the need for expert surveys and development plans. From time to time specialists were invited to prepare reports for the Government. The most im-

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[illegible] United Nations, Dept. of Economic Affairs, Public Finance Information Papers, Iraq (New York, 1951), [illegible]

[illegible]

[illegible]

[illegible]

purpose of these, prior to the International Bank Mission, was perhaps the Haigh Irrigation Commission, which worked from 1946 to 1949 and recommended a £100 million development plan which would have increased the irrigated area from 8 to 17 million acres.[15] Yet in 1949 the United Nations Survey Mission reported that the financial resources available to the Iraq Government, not only from oil royalties but also from the accumulated wartime sterling surplus, had been largely diverted to financing consumption imports and the operating expenses of the State.[16]

In this statement the Mission touched on the basic problem of the area, even of those sections which have available financial resources for development projects. The realization of the importance of investment in development projects which will bear returns in the future necessitates self-denial of immediate consumption goods. Such long-range visualization, especially when resources for gratification of immediate needs are readily available, is, however, a quality with which neither the masses nor many of the political leaders are endowed. It is perhaps in the lack of this quality that the explanation for the failure of all the numerous development plans of the Middle Eastern oil producing countries may be found. The ability to curtail current spending for the sake of investments which will increase not merely the individual's returns but the wealth-producing potential of the nation as a whole would be a sine qua non for any growing and even highly developed economy, and certainly for underdeveloped areas. But the temptation to utilize the "unearned" income from oil for current needs which could never before be afforded, for alleviating the tax burden, for improving political standing with the electorate, proved too strong, and seems to have all succumbed.

The Development Board

To return to Iraq. In May 1950 the Government promulgated a law (1950 No. 23) creating a Development Board to which was to be assigned the revenue derived from the oil com-

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[15] [illegible] "The Economic Development of Iraq," [illegible]

[16] United Nations, Final Report of the Survey Mission, [illegible]

[illegible] 1955 [illegible] Middle East

ganda. In 1952 the law was amended assigning only seventy per cent of the revenues to the Board. The Board with the Premier as chairman, the Minister of Finance as member ex officio and six non-political full-time executive members, was charged with preparing an overall development plan and given the authority to execute major capital development projects. On October 10 of that year Iraq officially requested the International Bank for Reconstruction and Development to send a survey mission to review the economic potentialities of the country and make recommendations for a development program.[14] The Mission arrived in Iraq on February 25, 1951 and a year later, on February 11, 1952, the report was submitted to Premier Nuri as-Said. It proposed a development plan for the years 1951-1956 involving a total expenditure of some £173,000,000, to be derived from the oil revenue for the same period. Basing itself on the Mission's report, the Development Board worked out the following five-year plan:

Table V. *Iraq Development Board Program*

Project	Cost (Dinars)
Irrigation schemes	[illegible]
Roads	[illegible]
Other communications	[illegible]
Buildings, including hospitals and schools	[illegible]
Public utilities	[illegible]
Agriculture	[illegible]
Industry (including services of a chemical survey)	[illegible]
Miscellaneous	[illegible]
Total	[illegible]

As far as the financing was concerned, the Development Board had no difficulty. As mentioned in the previous chapter, oil production in 1952 and 1953 was ahead of schedule, and the Board's share of revenue in those two years alone was about [illegible].

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[14] International Bank, Iraq Mission Report [illegible]

[illegible]

[illegible]

The general program of the Development Board under the existing conditions was tolerably satisfactory, but the long-range objectives and the conditions necessary for their realization were not appreciated either by the people or by the politicians. In 1953 the Development Board Law was amended and a new Ministry of Development was created. Though the Development Board was retained, the execution of the development plan was placed under both the Board and the Ministry. The Minister of Development became an additional ex officio member of the Board, responsible to Parliament for the conduct of his Ministry and of the Board. The original intent of the law to remove the Board from the vagaries of political change was thus impaired. Moreover, because of the general educational and technological level of the population, the Development Board found itself in the unusual, if not unique, position of not being able to spend the constantly increasing revenue. The Board consequently resorted to lending its funds to other Government agencies not concerned with long-range development, and a goodly portion of its income was diverted to other regular expenses.

Despite inherent limitations and basic difficulties, the awareness of the people and the Government that the oil revenue could be used as a means of advancing the development of the country has had some positive and some negative effects on Iraq's growth. One might note a general tendency to depend exclusively on oil income, to the exclusion of all other resources of governmental and economic operations. For obvious reasons the Government adopted a policy of reducing taxes in view of the gigantic income from oil. Such a policy, combined

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[illegible]

[illegible] Stevenson [illegible] (no date) [illegible] Middle East
[illegible]

Unfortunately, the Iraqis were not prepared and are not ready for long-range development projects; neither were they educated to understand them. Nor has the leadership—the implementers of such projects—displayed the qualities necessary to convince and educate the masses not only of the good to be derived, but of the difficulties to be overcome. Nevertheless, the oil industry and the revenue derived from it did one thing for the Iraqis. It made them realize the possibilities of improving their conditions; it made them lose their fatalistic acceptance of their lot and created dissatisfaction with their situation as it was. The oil industry also opened up to some Iraqis, even though to a very limited extent, the world of modern Western technology which is based on petroleum. The result is a stirring, a disturbance, in the social, cultural and economic patterns of the country. The fabulous revenue from the oil can direct this discontent, and in some instances even impatience, into constructive and coordinated channels. The supreme test for the Iraqi leadership will be the constructive direction of the political, social and economic forces.

The Company's Policies

Table VI, on the following page, shows the income contributed to the national budget from oil royalties up to the establishment of the Development Board.

In addition to these direct payments, the Company contributed in wages, salaries, social and health services, and building and administrative expenses which helped considerably not only in the country's direct economic expansion, but also in meeting its foreign currency needs.[3]

The main issues of contention between the Company and the Government were the royalties paid to Iraq and the employment of Iraqis in the industry. Unlike the Anglo-Iranian Oil Company, the Iraq Petroleum Company paid its royalties on a per ton production basis. In fact the Khanaqin concession, in the "transferred territories," which was part of the original Anglo-Iranian concession, paid on a percentage basis, as is the

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[3] Economic Cooperation Administration Special Mission to the United Kingdom, *The Sterling Area: An American Analysis* (London, 1951), [illegible]

[illegible]

Table VI. *Iraq Royalty Payments*[a]

Year	Payments (in I.D.)	Per cent of Revenue (from all sources)
1927/28—1933/34 (average)	[illegible]	[illegible]
1934/35	[illegible]	[illegible]
1935/36	[illegible]	[illegible]
1936/37	[illegible]	[illegible]
1937/38	[illegible]	[illegible]
1938/39	[illegible]	[illegible]
1939/40	[illegible]	[illegible]
1940/41	[illegible]	[illegible]
1941/42	[illegible]	[illegible]
1942/43	[illegible]	[illegible]
1943/44	[illegible]	[illegible]
1944/45	[illegible]	[illegible]
1945/46	[illegible]	[illegible]
1946/47	[illegible]	[illegible]
1947/48	[illegible]	[illegible]
1948	[illegible]	[illegible]
1949	[illegible]	[illegible]
1950	[illegible]	[illegible]

rate of its concessions; later, however, this was converted to a per ton basis. This arrangement made the Iraqis constantly demand increased production so that their income would be larger; they argued that the Company was not exploiting all the oil-bearing possibilities and was even pursuing a policy of limited production. In view of changed world conditions following World War II, the Company was willing to increase the per ton royalty and to increase production with the new,

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[a] [illegible]

[illegible] pipelines. When the Arabian American Oil Company introduced the fifty-fifty profit basis arrangement in Saudi Arabia, and the agitation for nationalization in Iran was growing in volume, Iraq also obtained a fifty-fifty profit-sharing arrangement.[6]

The Company's Employment Practice

The question of the employment of Iraqis in the industry was also of importance. Because I.P.C. did not build up an industry in Iraq, as did the A.I.O.C. in Abadan, the number of Iraqis employed in the oil industry was considerably smaller than Iranians in Iran. At the end of 1949 it employed a total of [illegible] workers, of whom [illegible] were Iraqis.[7] The number was not much greater in 1951, and as was inevitable, the higher positions, both technical and administrative, were filled by non-Iraqis.[8]

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[6] [illegible]

[7] [illegible]

[8] [illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]